

A Sinn Fein Leader Demands U.K. Say It Will Leave Ulster

LONDON — A leading member of the Irish Republican Army's political wing demanded Sunday that Britain give notice that it will quit Northern Ireland.

Martin McGuinness, a spokesman for Sinn Fein, said pro-British Protestants in Northern Ireland must not assume that the province's 300-year-old union with Britain was secure, despite solemn assurances to that end by Prime Minister John Major.

"It is quite clear that nothing is secure," Mr. McGuinness said. "It's quite clear that everything is about to go into melting pot."

His remarks are an indication of how tough the planned all-party talks on the future of Northern Ireland will be.

Mr. McGuinness was speaking to the BBC in London, 48 hours after Mr. Major scrapped an order that banned Mr. McGuinness and the Sinn Fein president, Gerry Adams, from traveling to Britain.

The Sinn Fein spokesman repeated his claim, denied by the government, that a British envoy told him during secret talks in March 1993 that London eventually wanted Northern Ireland to reunite with the Irish Republic.

The North, where Protestants are in a majority, was partitioned from the predominantly Roman Catholic South and remained a part of the United Kingdom when Ireland became independent 70 years ago.

Many people in both parts of Ireland, and indeed within the

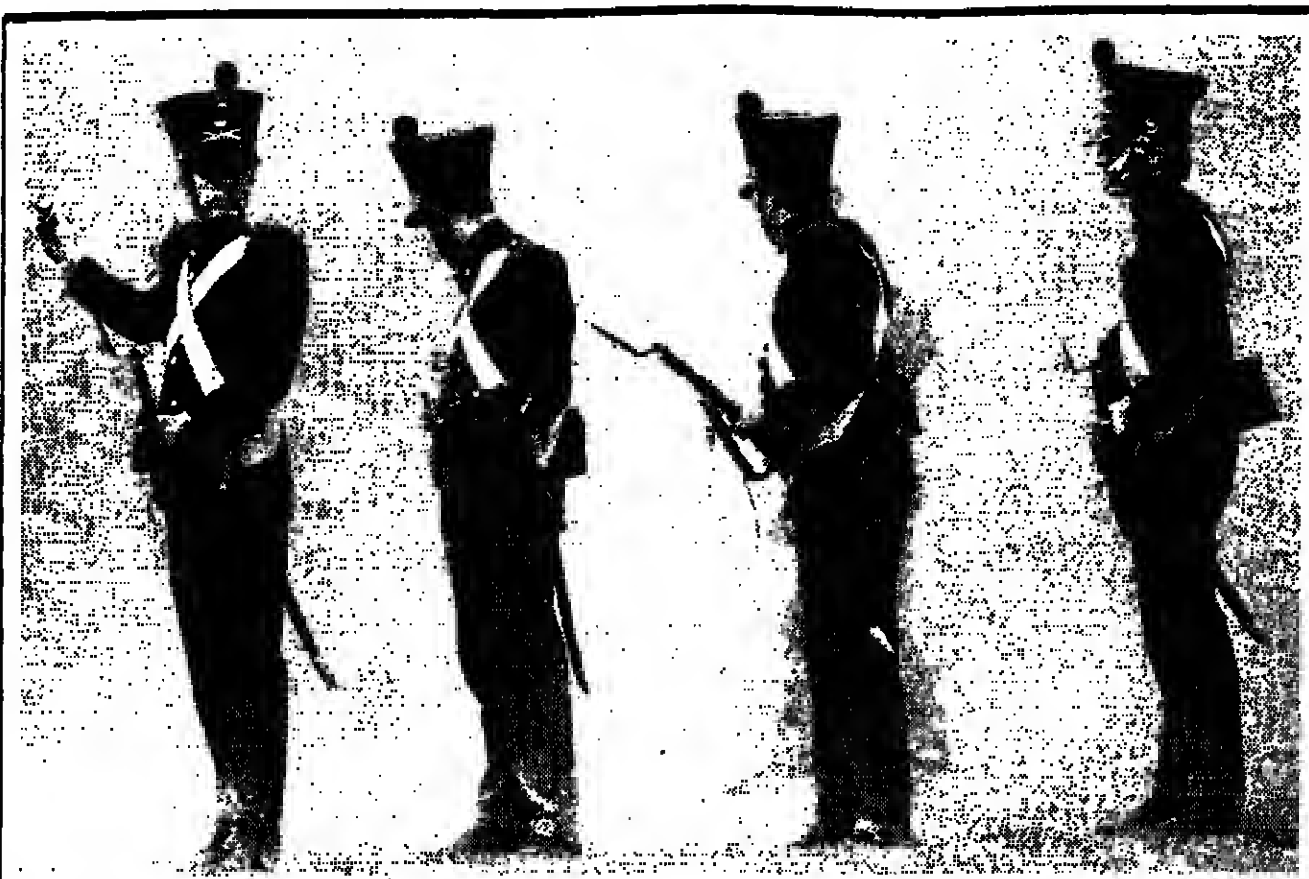
British political establishment, had concluded that Britain was "slowly but surely disengaging" from the North, Mr. McGuinness said.

"We have to test this in the forthcoming talks," he said.

"What I would like to see happening," he said, is for the British government to give "a clear commitment that they intend to end British jurisdiction in my country."

Mr. McGuinness said Mr. Major, in a speech Friday in Belfast heralding talks with Sinn Fein, had implicitly agreed that the partition of Ireland had failed and that Northern Ireland had been a disaster.

"The reality is that the place where I live is a political slum," he said. "It has failed. There can be no papering over the cracks."



WAR GAMES — Traditionally dressed soldiers standing guard over the weekend during the opening ceremonies of NATO exercises in Stroe, Netherlands. The games include countries in NATO's Partnership for Peace program.

In Sarajevo, a Musical Clash Rages for City's Soul

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Among the scarred streets and alleys of Sarajevo there is one comforting crossroads, where the sound of a Beethoven sonata or a Chopin waltz may be heard.

The music, sometimes flowing, sometimes betraying a student's faltering hand, cascades from the Sarajevo Conservatory. In its lightness and otherworldliness, it offers solace in a city still raw with suffering.

But the music is deceptive in the comfort it offers, for the institution it comes from has been lacerated. Once synonymous with civilization, and the universality of music, the conservatory now shows the barbaric legacy of war.

The solid Austro-Hungarian school contains destruction, physical and spiritual; interethnic suspicions, spoken and unspoken, and tragedy laced with the candid optimism of youth.

The physical toll on the school of two and a half years of war has been onerous. Seven music students and one teacher have been killed. Last year, two Serbian shells came through the ceiling of the concert room. Of 276 prewar students, 206 have left.

But this suffering is probably no greater than that of any institution of similar size in Sarajevo.

What sets the conservatory apart is the spiritual battle waged by students and teachers to save their music, and what it means to them, from the encroachment of war.

Their fight, in many ways, is a fight for what is left of the soul of Sarajevo, just as, two years ago, Vedran Smailovic, a cellist, fought his own battle for peace by playing in a city street as shells fell around him.

"I play to defend myself," said Ivana Velican, 14, a piano student. "I mean, I am not — I cannot be — free. But I can sit at the piano. And I can hope that everyone learns to feel the love that I feel."

The difficulty, after a long siege by Serbian forces that has left a tragedy in almost every family, is finding the moral strength to play. Emina Dubravica, the school's director, wres-

les with tears every time she reaches for her flute. The uplift of music is offset by the painful memories it stirs.

Mrs. Dubravica was pregnant when the war began in April 1992. Just before Serbian shelling started, she and her husband, Kenan, fled their house in the Sarajevo suburb of Ilidza, now controlled by Serbs. As Muslims, they had been threatened with death.

Their son, Amer, was born in Sarajevo on April 27, 1992. He came into the world, Mrs. Dubravica recalled, "with shells falling everywhere around me." Six months later, on Oct. 13, 1992, her husband, Kenan Dubravica, was killed fighting near his former home.

"It is so hard to play my flute," she said. "You see, my husband would always accompany me on guitar."

Every working day, through-out the war, Mrs. Dubravica has gone to the music school to teach.

"I am trying to give my pupils as much love for their music as possible," she said. "But not only that. Love for everything. I try to encourage them to see the world in a different way through their music, for I do believe in the power of love."

For all the students of the academy, reality has been turned on its head.

"I became very different in the war," said Jasmina Kapic, a pale and slight 16-year-old who resumed playing the piano at the beginning of the war because, she explained, it was a means to survive. "I grew up very fast. I know what war is. Many adults do not know what war means, the way it not only kills people but hurts the soul."

New Revelations From Charles

Book Turns to 'the Most Intimate Friendship of My Life'

By Fred Barbash
Washington Post Service

LONDON — Chapter Two. Flashback: Prince Charles is 23, a young officer in the Royal Navy. The most "eligible bachelor on earth," he is besieged by flighty, daffy young women wherever he goes but finds none to his liking.

Into his life one day steps Camilla Shand. "She was pretty, bubbly, and she smiled with her eyes as well as her mouth. Unlike some others, he had met, she lacked coquetry and did not preen herself."

"His taste for the absurd was

complemented by her down-to-earth irreverence."

So began the second installment of Prince Charles's authorized biography, by Jonathan Dimbleby, which is being serialized in The Sunday Times. It is the not-very-detailed story of his now famous relationship with Camilla Parker Bowles.

Although it had occurred to him to propose in the years after being introduced to her by Lucia Santa Cruz, "he felt that she could be a friend and companion to love and to cherish," and he saw her frequently during the early 1970s. He felt he was "still too young and too uncertain of his feelings to contemplate such a huge step."

So he did nothing and went off to sea. He was heartbroken when he heard the news that Camilla had married Andrew Parker Bowles. "I suppose the feeling of emptiness will pass eventually," he wrote forlornly, the book says.

Apparently it did not pass. For in the years that followed he developed what he described as

"the most intimate friendship" of his life with Mrs. Parker Bowles.

In last week's episode, Charles was described as bewildered by the suspicions of Lady Diana Spencer after the two became engaged in 1980 that he still harbored love for Camilla. This week's chapter could make one wonder about the source of his bewilderment, since the book makes it clear that "his feelings for Camilla had not changed."

He did not, however, renew his relationship with Mrs. Parker Bowles until 1986, "when he and the Princess of Wales had begun to lead separate lives."

The formal separation came about, Mr. Dimbleby writes, in part because Charles felt the princess was denying him access to the children. They traded names of lawyers; informed the queen and the prime minister and went on with their lives.

As far as he was concerned, the princess could spend as much time as she pleased with the handsome young men surrounding her, while he "re-established the intimacy" of his "earlier friendship" with Mrs. Parker Bowles.

"That they loved each other was not in any doubt," Mr. Dimbleby writes. Though it was portrayed in the tabloid press as a "bawdy affair," it was, to Charles, "a vital source of strength to a man who had been saddened beyond words by a failure for which he invariably blamed himself."

The Sunday Times also reported over the weekend that Charles has told advisers that when he is king he intends to change the name of the House of Windsor to the "House of Mountbatten-Windsor," in honor of Lord Earl Mountbatten, the prince's mentor, who was killed by an Irish Republican Army bomb 15 years ago.

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WORLD BRIEFS

2 Spanish Nuns Shot Dead in Algiers

ALGIERS (AP) — Armed men shot and killed two Spanish nuns in central Algiers on Sunday, medical sources said.

The nuns, of the Augustine order, were longtime residents of Algiers carrying out humanitarian work, according to Spanish diplomats. The dead nuns were identified as Sister Caridad Maria Albaras Martin, 61, and Sister Ester Paniagua Alonso, 63.

There was no immediate claim of responsibility for the attack. The Armed Islamic Group, which has singled out foreigners in its campaign to overthrow the military-backed government, took responsibility for the slaying of a French nun and a French priest in May.

Gunmen Kill Briton Touring Egypt

ASUT, Egypt (Reuters) — Suspected Muslim militants fired on a tour bus in southern Egypt on Sunday, killing a British tourist and wounding three others and an Egyptian driver.

The Interior Ministry said that the bus was on a road that is not designated for tourist buses and that the driver had not notified the police of his journey. The four Britons arrived from London last week, the sources said.

Security sources said a witness saw three men wearing traditional robes fire on the bus with machine guns in Naqada in the southern province of Qena, 500 kilometers (300 miles) south of Cairo. The gunmen escaped.

Election Quirk Protested in Germany

BONN (Reuters) — Opposition politicians and political analysts said Sunday that they would challenge a quirk in Germany's electoral law that gave Chancellor Helmut Kohl a thin, 10-seat majority in last week's general election.

Hans Meyer, a specialist in constitutional law, said he would lodge a complaint with Parliament and, if necessary, take the case to the Constitutional Court in Karlsruhe.

Under Germany's two-vote system, each voter is allowed to cast one ballot for a specific candidate in one of the 328 constituencies and a second ballot for a party. Federal election officials can sometimes award so-called overhang seats to parties that perform well in the first vote but get a lower percentage of the second vote. Mr. Kohl received 12 overhang seats in the enlarged 672-seat Parliament.

Moderates Win Spanish Basque Vote

BILBAO, Spain (Reuters) — Moderate Basque nationalists emerged winners of elections in Spain's most intensely nationalist region on Sunday, but with fewer seats than four years ago, first results indicated.

With some 50 percent of votes counted, the Basque Nationalist Party was set to take 20 seats in the new 75-seat Parliament in Vitoria, compared with 22 in the last.

The Basque Socialist Party, partners of the PNV in the last two coalition governments, fell from 16 seats to 14, while the center-right Popular Party surged to 11 seats from its previous 6. The radical nationalist party Herri Batasuna lost some ground, taking 11 seats, as against 13 in 1990.

Runoff Vote Tests Greek Socialists

ATHENS (AP) — For the second week in a row, Greeks voted Sunday to choose mayors and regional governors in a runoff election that is considered a gauge of popularity for the governing Socialists.

Early returns for Athens showed Dimitris Avramopoulos, backed by the conservative New Democracy party, taking almost 55 percent of the vote. He had won 44 percent in the first round last Sunday.

A former European affairs minister, Theodoros Pangalos, supported by the governing Panhellenic Socialist Movement, who received 32.6 percent last week, was considered too far behind to catch up. His defeat would be a political embarrassment for Prime Minister Andreas Papandreu, who personally chose him to run for the position.

TRAVEL UPDATE

Strikes to Slow Air Traffic in Italy

ROME (AP) — Italy faces air traffic disruption as of Monday, with strikes expected to hit on four out of five days, officials said Sunday.

On Monday, a 24-hour strike by customs officials at Rome's international airport over pay and working conditions is expected to delay flights. On Tuesday, pilots and ground crews are expected to hold a three-hour strike in line with an appeal from the main national unions for strikes against government policies. It will be followed by a similar three-hour strike by air crews on Wednesday.

On Friday, pilots of the domestic airline ATI, a subsidiary of Alitalia, will stop work for four hours to protest what they say would be a worsening of working conditions in a planned merger with Alitalia.

A third suspected case of cholera was reported in Bari, Italy, on Sunday, and local authorities said the bacteria that cause the disease had been found in the city's sewers. Authorities said Saturday that two Bari residents had contracted cholera after eating contaminated seafood. (Reuters)

Air Algérie will fly a new service between Djanet in extreme southeastern Algeria and Frankfurt. The opening of new routes between foreign cities and southern Algeria is designed to help foreigners avoid northern Algeria where Islamic militants are most active. (AP)

Nine people died from flash floods after torrential rains swept through Athens and its environs causing millions of dollars of damage to roads and establishments, the police said. The downpour disrupted telephone and electricity services and trapped scores of people in elevators and in basement apartments. (AP)

Brussels and Paris will be linked by France's high-speed TGV train as of January, Belgian state railroads said Sunday in Brussels, but Belgium's failure to build special tracks means there will be no cut in journey time. (AFP)

The Colorado Springs Airport opened over the weekend on time and within budget, officials at the facility said. The airport will have 100 flights a day and nonstop service to nine cities. (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Haiti, New Zealand, Thailand, Zambia.

TUESDAY: Grenada, Taiwan.

WEDNESDAY: Austria, Rwanda.

THURSDAY: Turkmenistan, Zaire.

FRIDAY: Czech Republic, Cyprus, Greece.

SATURDAY: Turkey.

Sources: J.P. Morgan, Reuters.

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Bermuda 1-800-823-0484	Finland 9800-102-80	Kyrgyzstan 800-674-7000	Poland 07-01-04-800-222	United Arab Emirates 800-111
Bolivia 0-800-2222	France 197-00-18	Kuwait 800-MC(800-624)	Portugal 06-017-1234	United Kingdom 0800-88-0222
Brazil 000-8012	Gambia 00-1-99	Laos 800-674-7000	Puerto Rico 800-888-8000	To call the U.S. using BT 0800-88-0222
Canada 1-800-888-8000	Germany 00-800-1211	Lebanon 600-624	Qatar 0800-012-77	To call the U.S. using MERCURY 0500-88-0222
Cayman Islands 1-800-824-1000	(Limited availability in eastern Germany.)	Liechtenstein 155-0273	Romania 87-10-013	To call anywhere other than the U.S. 0500-800-800
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POLITICAL NOTES



Oregon to Pass Judgment on Dying

NEW YORK — In a year when a book called "How We Die" (Alfred K. Knopf) was on the best-seller list for months, Americans continue to grapple with the question, "How should we die?"

In Oregon, the public is debating and must decide the issue. On Nov. 8, voters there will pass judgment on Ballot Measure 16, which would allow doctors to prescribe lethal drugs or provide other help so that terminally ill patients could end their own lives.

Those who drafted the Oregon initiative learned from failed campaigns in neighboring states. Unlike initiatives defeated in Washington and California, Ballot Measure 16 distinguishes between doctor-assisted suicide and euthanasia.

Doctors could legally make easier the suicides of patients with less than six months to live, but could not actually inject the medication or carry out the procedure that would cause death.

The measure would also hedge doctor-assisted suicide with safeguards. A doctor's opinion that someone was terminally ill and within six months of death would have to be confirmed in writing by a second doctor.

But opponents say that even this safeguard falls dangerously short. They cite medical literature maintaining that most people seeking medical help to kill themselves are victims of clinical depression, which the average doctor is not equipped to diagnose or treat. And they question whether doctors can predict life expectancy accurately. (NYT)

Chicagoans Grapple With the Ugly Truth

WASHINGTON — The Illinois gubernatorial race has turned ugly — literally.

It started last week when posters were spotted on some downtown Chicago streets that described the Democratic candidate, Dawn Clark Netsch, as "a tax cheat" and added: "The truth is as ugly as she is."

The "tax cheat" accusation was a reference to a recent disclosure that Mrs. Netsch and her husband, Walter, owed back taxes on a Chicago apartment, but that is not what got Mrs. Netsch's attention.

Later, during a debate with her telegraphic opponent, Governor Jim Edgar, a Republican, the prim, 68-year-old Mrs. Netsch decided to make the most of her appearance. She trotted out a new campaign slogan: "More than just a pretty face."

Then Mrs. Netsch, the state comptroller, called in heavy reinforcements in this nonbeauty contest. She posed for pictures with Senator Paul Simon, an Illinois Democrat who has never been accused of getting ahead on good looks alone, in front of a statue of Illinois' most famous politician — the doer, brooding Abraham Lincoln.

Mrs. Netsch accused the Edgar campaign of being responsible for the posters, an accusation the governor and his aides denied. She also began running a television commercial featuring a woman who says Mrs. Netsch reminded her of "my Aunt Thelma." But while Mrs. Netsch appeared to enjoy the self-deprecating campaign gambit, there was little evidence that it would help her close the 2-to-1 lead that Mr. Edgar enjoys in the most recent polls. (WFT)

Feinstein's Risky Stand on Immigration

LOS ANGELES — Saying it might cost her re-election, Senator Dianne Feinstein has declared her opposition to a hotly disputed California ballot proposal aimed at controlling the flood of illegal immigrants across the state's southern border.

"It raises state and federal constitutional issues and makes no provision whatsoever to deport illegal aliens and reduce



Dianne Feinstein is opposing an immigration issue.

their number," the Democratic senator said of the proposal, which is supported by Representative Michael Huffington, her Republican opponent in a closely contested Senate race. The ballot initiative, Proposition 187, which would strictly limit state government services available to undocumented aliens, has strong support among voters, polls have found, and is already a major factor in the race for governor, the other big election contest in California this fall.

In addition to denying illegal aliens most government social services, including schooling and nonemergency health care, the initiative would require that school and health officials determine whether recipients of their agencies' services were legal residents of the United States and report to the immigration authorities those who appeared not to be. (NYT)

Quote/Unquote

President Bill Clinton on Oliver North, the former Reagan administration aide who was involved in the Iran-contra scandal and is now running for Senate from Virginia: "I noticed the other day he said that I wasn't his commander in chief. Someone asked me if it bothered me. I said it didn't bother me nearly as much as the fact he didn't act as if Ronald Reagan was his commander in chief, either, when he had a chance." (NYT)

'Big Daddy' Roaring in Florida Race

By William Booth

Washington Post Service

OCALA, Florida — "Big Daddy" Don Garlits, drag racing's undisputed lifetime champion whose car cowings were emblazoned with the words "God is Love," has set his sights on Congress, convinced that the country is skidding without a drag chute into a socialist epoch.

If Big Daddy is elected to the House of Representatives, Congress will gain a man whose name is a registered trademark and whose fans consider him a nitromethane-sucking, drag-racing god. The racing world holds its breath. So do Democrats.

The flamboyant, anti-tax and hang-em-high conservative Republican is running full-out in a nose-to-nose match race against a freshman representative, Karen L. Thurman, a Democrat, in Florida's fifth congressional district, one of the most conservative and rural regions in the state.

It is a nine-county district "where the golf carts got gun racks," as the Florida Democratic Party executive director, Lynda Russell, put it, a district filled with horse farms, retirees, orange groves and backwoods.

Yet, although it is tempting to see Big Daddy's race as a colorful but thin slice of American politics, the national Democratic and Republican party hierarchies see something bigger. For here is an unvar-

nished folk hero plugging into deep resentments over a political culture that many see as too soft, too greedy and too out of touch to do the necessary job of whacking taxes, slashing welfare and executing prisoners.

"I keep reading in the newspapers about how I'm not really that mainstream," said Mr. Garlits, 62, who advocates "more medieval-style" prisons and quickie executions and who The St. Petersburg Times called a bigoted big mouth. "But everyone I meet keeps telling me they agree with everything I'm saying."

Polls by both Democrats and Republicans show Mr. Garlits slightly trailing Ms. Thurman, 43, a former math teacher and a conservative Democrat. Mr. Garlits claims he is gaining, particularly among conservative Democrats in west-central Florida between Gainesville and Tampa.

"I think this country needs to start kicking some butt," said Mr. Garlits's former arch-nemesis, Shirley Muldowney, the first woman to race high-performance top-fuel dragsters, appropriately painted pink. "And Don Garlits is a strong man, he backs up what he says. And I think the country needs him."

Although Republican leaders in the state have winced at some of Big Daddy's recent pronouncements, his fans see a

straight-talking anecdote to Washington doublespeak — a man in a flame-retardant jumpsuit willing to stomp on the accelerator.

Mr. Garlits, like many of his constituents, comes from a humble background. His father was an inventor of the electric iron who became a nutritionist-healer and nudist, moved to Florida for his health to raise oranges and went bust during the Depression.

Mr. Garlits remembers skipping school in Tampa, wearing leather jackets ("we weren't Boy Scouts") and the birth of hot-rodding in the 1950s, when America fell in love with the automobile and Mr. Garlits and his friends hopped up their old Ford coupes and drag-raced down the nighttime farm roads of rural Florida, keeping an eye out for the local sheriff.

Mr. Garlits is not proud of his illegal hot-rodding days. He now advocates public padding of juveniles in town squares as a partial remedy for truancy and other misdemeanors.

Mr. Garlits has been branded by the Democratic Congressional Campaign Committee as "a cross between David Koresh and David Duke."

On the campaign trail, Garlits does not often mine his drag racing days for metaphor. But the voters know all about his racing career.

CIA Cites 2-Year Delay In Exposing Ames as Spy

By Walter Pincus

Washington Post Service

WASHINGTON — The identification of Aldrich Hazen Ames as a spy may have been delayed by at least two years because the agency's counterintelligence center allocated only one part-time investigator to look into the veteran officer's sudden show of wealth.

The delay in conducting a thorough financial analysis of Mr. Ames "represents one of the most glaring shortcomings of the molehunt," the agency's inspector-general, Frederick P. Hitz, said in a 28-page summary of his report on the case.

The summary of Mr. Hitz's 400-page classified report focuses heavily on the investigative failures of a Central Intelligence Agency molehunt that began in 1985, when the director of operations realized the agency was losing "a significant number of CIA Soviet sources."

The declassified summary does not detail the individuals

or operations disclosed by Mr. Ames. But it does say that in June 1985, when he delivered his major gift to the Soviets — the identification of more than 36 U.S. and allied paid agents — Mr. Ames wrapped up five to seven pounds of cable traffic "and carried them out of headquarters to deliver to the KGB."

After a colleague pointed out that the once-broke Mr. Ames returned to Washington in 1989 from a three-year tour in Rome and "made no special efforts to conceal his newly acquired wealth," his bosses began a background investigation.

The financial inquiry "faltering over resources limitations and priority conflicts," Mr. Hitz said, and was not completed until mid-1993.

"If the financial inquiry had been pursued more rapidly and without interruption," Mr. Hitz said, "significant information about Ames's finances would have been acquired earlier."

Away From Politics

• A former CIA spy chief, Clair E. George, lost his bid to have a special appellate court panel authorize the payment of nearly \$1.3 million in fees to his attorneys by the government. Mr. George was convicted for lying to Congress about his knowledge of the Iran-contra scandal. He had said taxpayers should pay his bills because President George Bush pardoned him in 1992.

• The NAACP has reached a settlement with its former executive director, Benjamin F. Chavis Jr., ending a lawsuit in which Mr. Chavis said he had been wrongfully dismissed. Details were not disclosed. Mr. Chavis had sued the National Association for the Advancement of Colored People after its board dismissed him in August. The board said he exceeded his authority by secretly settling with a former deputy, Mary E. Stansel, who had accused him of sex discrimination.

• A drug-trafficking and murder suspect, who jumped bond and fled the United States after receiving a heart transplant, has been arrested, the U.S. Marshals Service said. Bartolome Moya, 37, was arrested after boarding an American plane in Santo Domingo, Dominican Republic.

• Crews worked to clean up crude oil and gasoline along the flood-swollen San Jacinto River in East Texas. Federal officials said they believed debris on the river, overflowing after torrential rains last week, punctured five pipelines, spewing gasoline, diesel fuel and crude oil into the waterway.

• A TWA McDonnell-Douglas 80 jet made an emergency landing in Allentown, Pennsylvania, after the pilot shut off one of the plane's two rear engines. No injuries were reported among the crew and more than 100 passengers aboard. The plane was on a flight from St. Louis to New York.

AP, WP, NYT

EL UPDATE

Air Traffic in Italy

After an Italian air controller was killed on Oct. 19, the Italian government has

ordered a temporary suspension of all flights to and from Italy.

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Q & A: Rebuilding Cambodia

Prime Minister Is Dismissive of Khmer Rouge

Eighteen months after elections supervised by the United Nations restored democracy to Cambodia, the country is struggling to press ahead with development while keeping the Khmer Rouge at bay. Prime Minister Norodom Ranariddh, the most senior of Cambodia's two prime ministers, discussed the situation with Michael Richardson of the International Herald Tribune.

Q. Can the Khmer Rouge make a comeback?

A. No. Remember that they boycotted UN-supervised elections in May 1993. They are isolated from the Cambodian people and from the national government. They are committing crimes and atrocities in the villages they occupy. No one wants them back.

The international community, which made such a big effort to restore democracy in Cambodia, will not allow the Khmer Rouge to return to power. President Bill Clinton has written to me giving an assurance that the U.S. will never allow Pol Pot and his guerrillas to take over Cambodia again.

China no longer supports the Khmer Rouge as it once did. Even Thailand dares not support the Khmer Rouge as openly as before. Cambodia plans to join ASEAN, the Association of South East Asian Nations. That will provide more safety for us and make life even more difficult for the Khmer Rouge.

Q. But don't the guerrillas control considerably more territory today than when they tried unsuccessfully to enforce a boycott of the UN-supervised elections?

A. No. At present the Khmer Rouge control around only 5 percent of Cambodia and 5 or 6 percent of the population. They may have a maximum of 6,000 or 7,000 men with arms, including local militia-men, although I think the actual number is not more than 3,000 or 4,000.

The Khmer Rouge have been able to strengthen their position in certain areas thanks to the weakness of the former UN temporary administration in Cambodia. It demobilized and destroyed between 20 and 30 percent of the weapons of the

former government's army and the forces of the two nationalist parties that contested the elections, but was not able to disarm any part of the Khmer Rouge. We have asked the U.S. to replace the arms taken away by the UN but have not received an answer.

Q. Is the Cambodian Army an effective fighting force?

A. Our armed forces are too big because we were obliged by the UN to amalgamate the Vietnamese-trained army of the former government and the non-Communist armies of the two nationalist parties.

It was very difficult to mix them together. We had 1,786 generals. Instead of a pyramid, we had a rectangle whose head was as big as its feet.

Under our reform program, we have reduced the number of generals to 91. We are reducing the overall size of the regular army from 130,000 to a maximum of 50,000. We are training the army to make it more professional and united.

We are also training small-unit commando forces to send into Khmer Rouge areas to create trouble.

However, rural development will be the key to our success. Instead of fighting, the bulk of the Cambodian armed forces should concentrate on reconstruction of the country, building or upgrading rural roads, bridges and irrigation systems to open up even the most re-

mote village. The military has to help the people.

Q. Are you seeking a military solution to the Khmer Rouge problem?

A. We need weapons and arms to contain the Khmer Rouge and provide security to our people so that development can go ahead.

But the real problem of Cambodia is not the Khmer Rouge. It is the poverty of the people. When we win the war against poverty, we will be able to solve other problems, including the security problem. With international assistance, we must intensify our rural development program to improve local administration, education, health and economic production.

Q. Critics say your government is weakened by factionalism and corruption and that this is playing into the hands of the Khmer Rouge. How do you respond?

A. We inherited from the UN not just a coalition army but a coalition government and administration. The UN temporary administration wanted me to use the structure of the former government. So far, I have not been able to replace the head of department of any ministry.

Reforming the administration to make it smaller and more efficient is a slow and difficult process. But we are making considerable progress.



The five officials hiding their faces Sunday after being arrested for failing to fix the bridge that collapsed, killing 32.

Seoul Officials Accused of Hiding Bridge's Defects

SEOUL — Prosecutors arrested five Seoul city officials and were investigating other senior administrators Sunday for possible negligence in a bridge collapse that killed at least 32 people.

The five officials, who work in the city's construction office, were charged with failing to repair the bridge and concealing the amount of work that

needed to be done, prosecutors said. One of the arrested officials told the police that the city did not repair the bridge, after engineers said the 17-year-old structure was dangerous, because a lack of funds.

The arrests came as President Kim Young Sam was reportedly planning to reshuffle his cabinet in response to public anger over the collapse, government

sources said. The sources, who requested anonymity, said the reorganization was expected to affect the prime minister and the construction minister, among others.

A large section of the Songsu Bridge collapsed during the morning rush hour Friday, sending a packed city bus, a police minivan and several cars plummeting into the Han River. At least 32 people were killed and 17 injured.

Nuclear Pact's Hidden Agenda: Tie North Korea to Neighbors

By R. Jeffrey Smith

Washington Post Service

WASHINGTON — The accord that Washington signed with North Korea is not only meant to alter the Communist country's threatening nuclear posture but also to improve its relations with neighboring Asian states and help change its political system, according to some U.S. officials who worked on the deal.

Washington began negotiations with North Korea last year primarily because of the suspicion that the North possessed at least one nuclear bomb and its evident aspira-

tions to make dozens by the end of the decade.

But a less obvious U.S. aim was to open the isolated, xenophobic nation to outside ideas, to move its economy toward

NEWS ANALYSIS

capitalism and to encourage it to develop stable economic and political relations with South Korea and Japan, neighbors with which it has little trade or direct contact.

"It will allow us to step into a new political era, a policy that will pull us into the next century, not only with North Korea but with all of Northeast Asia,"

a U.S. official said of the nuclear deal. As people get enmeshed in the realities of working together to carry out the deal, he said, "it will accelerate a series of political changes there that are already under way."

The accord, signed Friday in Geneva, includes what a U.S. official referred to as an important "crowbar" to help open North Korea to outside influence: a \$4 billion project that will bring in hundreds of workers from South Korea, Japan and perhaps China to help build two advanced nuclear reactors over the next decade. The novelty of conducting such a huge foreign-run construction

project in a nation with an almost religious commitment to self-reliance can hardly be overstated, U.S. officials say.

Despite its often bitter denunciations of foreign interference in its domestic affairs, North Korea's regime finally seems to have embraced the idea that it can no longer pursue its policy of isolation, the officials add. It transparently sought to revive its declining economy by using its nuclear program as leverage to win the reactor project and other new economic and political ties with Washington.

Will North Korea's decision to accept an influx of foreigners and — necessarily — unfamiliar ideas also spell the destruction of its hard-line Communist political system? Or will North Korea's leaders seek to transform their system in the pattern of China and Vietnam, embracing a mixture of both communism and capitalism that tries to keep to foreign political ideas at arm's length?

Many U.S. analysts said changes are unlikely to occur overnight. North Korea re-

mains one of the world's most closed and repressive societies, and membership in the Communist Party is still commonplace, unlike in the Soviet Union before its dissolution. These analysts expressed skepticism about South Korean claims that North Korean leaders could be toppled forcibly after foreign contacts widened pent-up social pressures for political freedom.

But two senior U.S. officials who worked on the deal said that it was made with the eventual dissolution of the present North Korean regime in mind. Such an event, they said, would ensure that the country carries out its long-term obligation to dismantle all worrisome nuclear facilities and allow the international inspections that North Korea first rejected in February 1993.

One of the officials depicted as mere "theoretical gamesmanship" the concerns expressed by some U.S. analysts that North Korea could pocket the two new reactors, expel international inspectors and restart its nuclear bomb program in 10 years. The official said

that the decade-long period covered by the accord "is almost certainly a sufficient period of time for their regime to have collapsed." And after the regime's collapse, he added, "the country simply won't exist" because it will be absorbed by South Korea.

Some critics suggest this view is naive and assert that the deal does not go far enough in pressuring North Korea's leadership to move toward a more accommodating posture. They note that North Korea's hard-line leadership has displayed remarkable staying power in the face of international pressure and economic deprivation.

Several U.S. officials who took part in the negotiations said they sensed a significant change of heart by the North Korea government, or at least a victory by moderates in the leadership who support a more pragmatic foreign policy. They noted that only days before the deal was completed, senior North Korean military leaders had publicly stated they would never allow some of the international inspections the accord demands.

Shalikashvili Wary of North Koreans

Washington Post Service

MANILA — North Korea shows no sign yet of defusing a "very explosive situation" created by the huge deployment of conventional forces near the border with South Korea, the senior U.S. military officer said. The officer, General John M. Shalikashvili, chairman of the Joint Chiefs of Staff, said Saturday that he was "well satisfied" with a U.S.-North Korean nuclear agreement signed in Geneva on Friday.

But he said that the country's large conventional offensive capability continues to pose "a considerable threat" and that there was no sign that Pyongyang's secretive leadership has

abandoned designs on conquering South Korea.

General Shalikashvili, 58, in Manila for talks with President Fidel V. Ramos, said the cancellation by the United States and South Korea of the 1994 joint military exercises scheduled for next month was "the prudent thing to do right now."

But he indicated that he wanted to see the 1995 maneuvers go ahead as scheduled in March.

North Korea in the last few years has been building an offensive capability that is "very threatening" to the United States and South Korea, the general said. "They have embarked on a very rapid develop-

ment of an extensive long-range artillery program," he added. Guns capable of reaching Seoul and of causing "great devastation" have been massed along the Demilitarized Zone and placed in well-protected caves in mountainsides, he said.

North Korea is also building "one of the world's largest unconventional warfare capabilities, whose only purpose is to be offensive in nature," General Shalikashvili said. He said this consisted of about 60,000 special forces. These forces include airborne units, naval components close to the DMZ on both coasts and ground units trained in penetrating the world's most heavily fortified border.

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Herald INTERNATIONAL Tribune

MALARIA: Indian State Struck

Continued from Page 1

brain. They said they feared that this strain could become resistant to commonly prescribed chloroquine pills.

"We believe the lethal *Falciparum* parasite has been brought to the region by immigrant workers from other states," said P. V. Unnikrishnan of the Voluntary Health Association of India. He said his group estimated the death toll at 1,000.

Mr. Unnikrishnan said the difficult terrain, with poor road and telephone links, was a major hindrance in providing quick relief and getting a clearer picture of the outbreak.

"There are hundreds of thousands of lives at stake," he said. S. M. Mohnot of Jodhpur University, who has been supervising nongovernmental organizations in Rajasthan, said the residents of four districts, Jodhpur, Barmer, Jaisalmer and Bikaner, were most at risk. The districts have a combined population of about 4 million.

Mr. Rathore said the death toll was inflated.

"The reports are totally wrong and exaggerated," he said. "Only 238 deaths have taken place in government hospitals in the state due to malaria. There could be some 50 more

deaths in private hospitals in the state."

The Health Ministry director-general, A. K. Mukherjee, said the number of deaths was "very small."

"It is not like pneumonic plague," he said, referring to the disease that broke out in a region south of Rajasthan last month and killed at least 57 people.

Health groups said the region may get a three-month respite from the outbreak as cold weather kills the mosquitoes.

"We expect the current outbreak to be over by the third week of November because of the cold," Mr. Unnikrishnan said. "But the deadly mosquitoes will breed again next year."

Health groups blamed a new irrigation canal and recent heavy monsoons, rare for the mostly desert region, for a sharp increase of malarial mosquitoes.

Mr. Mohnot said Mr. Rathore's lower death toll was based on an inadequate survey of the region by government health officials.

"They visited just a fraction of the villages and their assessment is based on a survey lasting less than a week," Mr. Mohnot said.

(AP, Reuters)

Warnings On Rights Abuses in Indonesia

By Philip Shenon

New York Times Service

BANGKOK — Less than a month before President Bill Clinton travels to Indonesia for a meeting with Asian leaders, human-rights groups are warning of a deterioration in human rights there, including the recent banning of newspapers and magazines, stepped-up harassment of labor activists and new instances of torture by the military and the police.

Diplomats and human-rights groups say Mr. Clinton's visit may be part of the reason the government of President Suharto is eager to silence critics during the meeting of the Asia-Pacific Economic Cooperation Forum, which starts in November.

Among the recently muzzled publications are the nation's most prominent news magazine, Tempo, and two of its hard-hitting competitors, all of which were ordered shut down over the summer. The move was described by Indonesian journalists as the most serious blow to free speech in Indonesia in decades.

Human-rights groups, disappointed by Mr. Clinton's decision in May to retain trade privileges for China despite human-rights abuses, worry that he will offer similar treatment to Indonesia, a large archipelago nation of more than 190 million people with a booming economy.

"The message to the world was that human rights will be the sacrificial lamb to trade," Amnesty International said in a statement issued in September with a report on human-rights abuses in Indonesia. "That message is now in danger of being played out again in the U.S.-Indonesia dialogue."

The Clinton administration has announced that it will not raise rights issues at the meeting.

In anticipation of the meeting, which will be attended by leaders of most of the major Pacific Rim nations, rights groups have issued reports intended to remind the leaders of the record of their Indonesian hosts.

Amnesty International said in its report that Indonesia was "a country ruled with an iron rod, where dissent is punished by imprisonment, torture and death."

The International Confederation of Free Trade Unions, an umbrella organization for labor groups, joined the protest this month with a report detailing the Suharto government's efforts to crush an independent union movement. The report accused the government of "a flagrant breach of internationally recognized standards on freedom of association and the right to organize."

The spokesman for the Foreign Ministry, Irawan Abidin, said in a telephone interview that criticism of Indonesia's rights record reflected the views of only a "handful of people," and that the timing of the new reports was meant to embarrass Indonesia.

"I would say that we do have human rights in Indonesia," the spokesman said. "We are not perfect, but we are trying to improve."

He noted that the government had recently allowed United Nations investigators to visit the disputed territory of East Timor. Indonesia's foreign minister, Ali Alatas, also opened negotiations this month with East Timor independence leaders.

Herald Tribune

Published With The New York Times and The Washington Post

The Murayama Surprise

Japan's Socialist-conservative coalition government was laughed off in June as a cynical and unworkable union of opposites. The government is actually working out surprisingly well.

Prime Minister Tomiichi Murayama, a Socialist, and his Liberal Democratic and independent partners have fashioned a stable majority that sharply contrasts with the almost weekly cabinet crises of last winter and spring. The new government has found enough coherence to reach a limited trade agreement with the United States. Most important, it has given Japanese voters a second vehicle for advancing political and economic reform.

One-party politics was the root of Japan's present political discontent. Now, two modernized, broadly centrist coalitions are taking shape — the present coalition and the cluster of parties, soon to merge, that supported the recent governments led by Morihiro Hosokawa and Tsutomu Hata.

The new coalition has prospered because its two very different elements both responded to voter desires and updated their programs. The Socialists, in office for the first time in four decades, have dropped their strict interpretation of Japan's U.S.-sponsored peace constitution, that let them come to terms with realities like Japan's postwar armed forces, UN peacekeeping and nuclear power. The Liberal Democrats, the permanent ruling party from 1956 to 1993, have learned to talk the language of reform rather than restoration; they now support many of the initiatives begun under the Hosokawa and Hata governments, like electoral reform, fiscal reform and deregulation.

They can do so unburdened by the negative image of Ichiro Ozawa, the main power broker of those two previous governments and a man widely reviled as a symbol of the old back-room, money-driven politics. Mr. Ozawa, more than anyone else, brought down the old system. But his history and his often abrasive tactics have thwarted his efforts to consolidate a new power base of his own.

There are so few substantive differences between the two coalitions that the opposition has been reduced to empty parliamentary tactics that do not threaten the government's popularity. Still, special elections have shown strong opposition support, and the next national election, the first under the newly reformed rules, could go either way. Voters will then be able to choose between Mr. Ozawa's brand of reform, with a slightly hawkish, bureaucracy-hashing tilt, or some version of the present coalition, espousing a gentler foreign policy and more deference to bureaucrats.

The Socialists and the Liberal Democrats handed together primarily to save themselves from extinction and to block Mr. Ozawa's ambitions. By doing so, they have brought Japan closer to competitive, two-party politics, and thereby significantly advanced political reform.

— THE NEW YORK TIMES

A Defendable Deal

It is evident that the nuclear deal between the United States and North Korea has some very big flaws. It pays North Korea, and handsomely, for returning to the non-nuclear obligations that it took on and violated and that ideally should not have had to be paid for at all. Nor is there ironclad assurance that this "framework" agreement between two warring states that do not even recognize each other will uncover weapons or weapons-grade nuclear materials already in hand. The accord sets an international precedent that lets the North Koreans keep hiding for years the very facilities whose inspection would show their nuclear cheating to date.

How can such an agreement even be defended? It can be defended because, by permitting immediate inspection of sites where known nuclear work is going on, it enables the United States to accomplish the urgent business of freezing and dismantling a major "strategic" program that was running free and that could have produced plutonium for hundreds of bombs and a full-fledged nuclear capability. The accord also at least makes possible the later rollback of a prior and less menacing North Korean program that may already have turned out one or two — it is not clear — warheads.

Can either of these ends in fact be achieved? The question persists because North Korea has a record of lying and cheating on matters nuclear, and events have shown that the United States' natural partners in reacting to such conduct — China, Japan and South Korea — wobble away from economic sanctions, never mind military enforcement. So

couldn't North Korea fail to keep its promises without fear of any punishment or price? The answer is that the agreement is constructed to require controlled reciprocal responses, by stages, that are in American hands. For instance, "key nuclear components" in the new, safer reactors that North Korea is being offered do not get delivered until it opens up its suspect undeclared nuclear facilities. If this desperately impoverished and isolated country is not lured by the joint-world economic and political incentives in the package, it goes back to impoverishment and isolation.

To the special dismay of international inspectors, North Korea insisted on a delay in complying with some of the standard inspections — affecting the suspect sites. The example of pick-and-choose, or "à la carte," is a really bad idea. Nor is it adequate compensation that in some other respects Pyongyang has accepted tighter than normal standards. Especially in light of these circumstances, the United States needs to reaffirm earlier pledges to beef up protection for the 37,000 American troops in South Korea. There must be rigid insistence on North Korea's compliance with all its nuclear obligations.

The American government could not impose its will on an independent and defiant North Korea as it could on a defeated Iraq. Washington had to negotiate. The resulting deal is far from being what it should, but it can be defended as what was available, and if enforced it can ease an ominous regional nuclear threat.

— THE WASHINGTON POST

Again, Killing in Rwanda

When Rwanda's Hutu-led government slaughtered hundreds of thousands of Tutsi six months ago, the world watched helplessly and was embarrassed by its helplessness. French forces belatedly intervened on a UN humanitarian mission, but this was not the United Nations' finest hour. Eventually, a Tutsi-led rebel army drove the genocidal Hutu regime from power. Now there are disturbing reports from the UN high commissioner for refugees and Amnesty International that Tutsi forces are taking murderous revenge against Hutu civilians. The UN bureaucracy, it seems, would rather not hear about it. But these new charges deserve serious international attention and more.

This time the world need not be helpless. The new Rwandan government depends on continuing international assistance and is thus responsive to external pressure. Meanwhile, the underlying problem of identifying and punishing those guilty of last spring's massacres cannot be left to local troops in the field.

A report prepared last month by the high commissioner for refugees, but never officially released, found that the new Tutsi-led Rwandan government and its military forces were systematically harassing and killing Hutu. The office of the high commissioner is not a human rights agency but is responsible for advising Hutu refugees whether it is safe for them to return home. Nevertheless, the report displeased UN headquarters, which did not want the high commissioner speaking

out publicly on sensitive human rights issues and perhaps complicating ties with the new Rwandan government.

Amnesty's report reaches conclusions similar to the commissioner's. The alleged Tutsi reprisals are far smaller in scale than the earlier Hutu violence, and many may occur without the knowledge or approval of government authorities. Still, they are inexcusable, and the government must be persuaded to make clear to all armed units that such behavior will not be tolerated.

The reprisal issue is related to the issue of assuring impartial justice for the thousands of Hutu formally accused of involvement in last spring's killings. Plans to establish an international tribunal have stalled in the UN Security Council over questions of location and mandate. Meanwhile, some 6,000 Hutu prisoners await their fate in Rwandan jails, and relatives of Tutsi victims grow increasingly impatient and doubtful about whether the outside world will ever really follow through on its lofty rhetoric.

Some of the questions holding up Security Council action are legitimate. But surely an international tribunal is preferable to trials organized by a government not fully in command and still suspected by many of tribal partisanship. Formal justice of any kind is preferable to ad hoc reprisals. This time, the world and especially the United Nations owe Rwanda unflinching investigative reports and consistent Security Council attention.

— THE NEW YORK TIMES



A Sane Deal With North Korea, but There's a Big 'If'

By Jessica Mathews

WASHINGTON — It is difficult to make a little word bear as much weight as it must in this instance, but if the U.S.-North Korean nuclear agreement is ultimately carried out, it will be the most important single foreign policy feat of the Clinton administration to date, and an achievement of major strategic significance by any standard.

There are innumerable ways for the agreement to fail. The North Koreans will hesitate, backtrack, throw stones in the way and may even repudiate the agreement. They may try a double cross or two. South Korea, on whose support the deal absolutely rests, may be unable to swallow a deepening U.S.-North Korean relationship, and for domestic political reasons be unable to produce the needed financing. One serious U.S. misstep in the delicate balancing of the torn halves of the peninsula could torpedo the deal.

The list can be lengthened almost at will. But if the plan holds up, the gains are equally sobering. A potential new nuclear power — and a certain spark to a nuclear arms race touching Japan, South Korea, Taiwan and China — will have been removed. A nuclear exporter willing to sell to any country or terrorist group with enough cash will not be selling. A blow from which the nonproliferation regime might not have recovered will have been dodged. And the possible cause of a second Korean War will have been eliminated.

For these gains the United States conceded remarkably little, and North Korea, desperate for energy to prop up its collapsing economy, a great deal. Most important, Pyongyang has agreed to give up reprocessing (the process for producing plutonium). This is a right it holds under the Nuclear Nonproliferation Treaty, although one it gave up (before renege) in a 1991 agreement with South Korea.

Its present supply of spent fuel rods will remain in storage until shipped out of the country. It has undertaken not to refuel or restart its existing research reactor, which would produce more plutonium-laden fuel, and to immediately cease construction of two much larger reactors of the same type. All this is to be under continuous IAEA inspection.

In return, in addition to trade and political openings, the United States promises to supply (but not to pay for) two large new conventional power reactors that produce spent fuel lean in plutonium, and to provide heavy oil exactly equal to the amount of energy the three fission reactors would have produced until the first of the new reactors goes on line.

Before the new plants' nuclear equipment can be delivered, about five years from now, the IAEA must have cleared up the mystery of whether North Korea diverted plutonium

for weapons use in 1989 and 1990. If, in the IAEA's opinion, this requires special inspections — a step that North Korea rejected in the past — so be it. Before the first plant's completion, the spent fuel rods must be shipped out of the country. During the second plant's construction, North Korea must begin dismantling its plutonium-production reactors and reprocessing plant.

In a perfect world, one would have liked the past to be clarified right away and the spent fuel rods removed immediately. One would wish that North Korea had not chosen to spend its nuclear leverage on new reactors, or that the agreement had spelled out how their spent fuel will be handled.

But these and other criticisms are quibbles. The Clinton administration was right to correct its earlier mistake of insisting that what happened in the past be the first step in resolving this crisis. There is no urgency in clearing up the past, and great urgency in preventing its repetition on a much larger scale. The agreement appropriately puts that threat first.

Nor does the deal rely on trust. If the inspectors are ever interfered with, or if U.S. intelligence detects any violation, the oil deliveries and construction work on the new plants can be stopped instantly — leaving North Korea starved for energy. In this worst case, we will be back where we were last spring, having lost nothing but diplomatic

effort and the cost of some oil in an attempt to avoid nuclear conflict.

There is one cost that neither this nor any other negotiated end to the North Korean crisis could have avoided, and that is the message to other would-be proliferators that if they can get far enough along before being discovered, a covert nuclear program is the ultimate bargaining chip. That opportunity was lost long before the Clinton administration took office, as the IAEA let itself be dodged by Pyongyang for seven years and the United States took no effective action for even longer.

The task for the international community now is to undercut that precedent by demonstrating that neither Nuclear Nonproliferation Treaty members nor nonmembers will be able to get far enough along to exploit it. This will mean maintaining a strict regime on Iraq and North Korea, creating a more aggressive and effective IAEA through adequate funding, intelligence sharing and political support, taking a tougher stance against reckless exporters of nuclear technology and, by far most important, establishing that, henceforth, early steps toward a weapons capability, even if legal under the treaty, will be seen and responded to as a direct threat to international security.

Implementation of the agreement will not be smooth; setbacks are the rule when dealing with Pyongyang. But there should be no doubt that if its terms can be sustained, the deal is a solid win for world peace.

The Washington Post

A Risky Nuclear Gamble Worth Taking

BILL Clinton says that the deal, while risky, is better than a war. There is much to be said for that view — always assuming that the nuclear bargain is made in good faith and will be carefully policed and kept.

One collateral test of the process will be what temptations it offers to other outlaw states. Will they, too, catch the gravy train? The rationale of the nonproliferation treaty remains a powerful and simple one. There is no great profit in being a nuclear power, all the less if it arouses more powerful and resourceful neighbors (Japan and South Korea, in this case) to take offsetting steps.

For a time after World War II there was a minor school of thought in Washington that the U.S. atomic monopoly would be a "gun at the hip" reminding others at the international poker table not to cheat. It turned out that the possession of this gun was more appropriate for poker than for statecraft, since the main

ingredient was bluff. The more the world learned about the horror of atomic weapons, the larger and more hollow the bluff became.

And soon enough the U.S. monopoly faded and we entered that long, dark tunnel of nuclear deterrence from which we are only now emerging after 50 fretful years.

A nuclear-armed pipsqueak state would be no more than a pipsqueak with a nuclear weapon or two, whose temptations to practice blackmail would be offset by the firm assurance of national obliteration if it went too far.

Is this logic clear to the potential mischief-makers? Or might their judgment be further clouded by the concessions made to blackmail in North Korea? We don't yet know. But the logic remains firm and, assuming that the mischief-makers are not altogether impervious to it, the Clinton gamble seems worth taking.

— Edwin M. Yoder Jr., commenting in The Washington Post.

Different Ethnic IQ Scores — So What Else Is New?

By Charles Krauthammer

WASHINGTON — "The black-white IQ difference [is] about 15 points in the U.S."

"In the United States, blacks of above-average socioeconomic status have not averaged as high IQ as whites of lower socioeconomic status."

"The question here is not whether differences are cultural or genetic in origin. The point is that they are real and that their consequences are real."

So this is Charles Murray's heresy, the incendiary declarations about race and IQ that have landed him and his co-authored book "The Bell Curve" on the cover of Newsweek, The New Republic and The New York Times Magazine, and put him in the liberal pantheon of bigoted pseudoscience. Well, no.

The quotations above are from "Race and Culture," published just two months before "The Bell Curve." The author is Thomas Sowell, the Stanford economist and social scientist. Mr. Sowell is black. And his interest in ethnic differences in mental capacity is even broader than Mr. Murray's.

Starting with Cicero's observation 20 centuries ago that Britons were too stupid to make good slaves, Mr. Sowell offers a worldwide survey of ethnic differences in intelligence. They are ubiquitous.

"Among Indians in colonial Malaya, for example, Tamils had higher scores than Gurkhas, and both had higher scores than Bengalis in Bengal." In math, he points out, ethnic Chinese schoolchildren outperform the English in Hong Kong, the Malays in Singapore, the Indonesians in Indonesia. In the United States, East Asians outperform whites.

With the phenomenon of ethnic IQ differences so universal,

Mr. Sowell is quite relaxed about the American black-white difference. He notes (in a passage that I purposely truncated above) that "the black-white IQ difference of about 15 points in the U.S. has been matched by the IQ difference between Sephardic and Ashkenazic Jews in Israel or between Catholics and Protestants in Northern Ireland."

"The Bell Curve," on the other hand, is more narrowly focused on ethnic differences in America. In particular, it marshals voluminous validation for the black-white IQ differences that Mr. Sowell and others have noted.

For this, Mr. Murray has been subjected to fierce personal attack. To take an example, the sociologist Alan Wolfe writes that Mr. Murray and co-author Richard Herrnstein "may not be racists, but they are obsessed by race," and "see the world in group terms and must have data on group membership."

An interesting charge, given that for the last two decades it is the very liberals who so vehemently denounce Mr. Murray who have been obsessed by race, insisting that every institution — universities, fire departments, Alaskan canneries — "must have data on group membership."

It is they who have oppressively insisted that we measure ethnic "over" and "under" representation in every possible field of human endeavor. To take only the latest example, on Sept. 26 the federal government proposed that banks making small business loans be required to ask the applicant's race and gender.

Not a month goes by when I do not get a survey of some sort in which I am asked to identify my-

self by race. (As a rule, I refuse.) Here is a liberal establishment forcing racial testing and counting for every conceivable activity, and when a study comes along which does exactly that for SATs and IQ, the author is pilloried for being obsessed by race.

In fact, Mr. Murray is obsessed by class. "The Bell Curve" is a powerful, scrupulous, landmark study of the relationship between intelligence and social class, which is what the book is mainly about. It is secondarily about differences among ethnicities (they are not addressed until chapter 13), which is what the fuss is about.

I have two difficulties with the book. First, I see no reason to assume that group differences in intelligence, as opposed to individual variation, have anything to do with genes. The more plausible explanation is Mr. Sowell's: ethnic differences in intelligence, which change over time (the British have come up smartly since Cicero), are due to culture, that part of the environment which, unlike socioeconomic status, is unmeasurable.

Second, I have trouble with Mr. Murray's recommendations about what to do with the fact of inequality. He offers a kind of conservative multiculturalism in which each ethnicity finds its honored niche in society according to its own areas of excellence and distinction.

I distrust all multiculturalism, liberal or conservative. The Balkans amply demonstrate the perils of balkanization. My answer is simpler. Stop counting by race. Stop allocating by race. Stop measuring by race. Let's return to measuring individuals.

It seems hopelessly naive to

propose this today. But it was not naive when first proposed by Martin Luther King and accepted by a white society that was finally converted to his vision of color-blindness. Instead, through guilt and intimidation, a liberal establishment has since mandated that every study of achievement in American life be broken down by race. "The Bell Curve" takes that mandate to its logical conclusion.

Enough. As both Mr. Murray and Mr. Sowell explicitly state, knowing the group score tells you nothing about the individual. Well, we have now seen the group score. Let's all go back to counting individuals.

Washington Post Writers Group.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Falling Cat Study

PARIS — Until the days of Sir Isaac Newton, no one could satisfactorily explain why an apple falls off a tree. Newton, however, failed to discover one thing — why a cat, if thrown into the air, always reaches the ground feet downwards. This question is now occupying the French Academy of Sciences. The discussion was initiated by a paper by M. Marey, who laid before his colleagues sixty photographs of a falling cat.

1919: Drama at Opera

NEW YORK — Rotten eggs thrown on the stage from boxes in the Lexington Theatre, and bricks dropped into the orchestra pit, causing the musicians to leave in haste, interrupted the performance of a German opera by the Star Opera Company last night [Oct. 22]. Under the protecting

egis of a temporary injunction against Mayor Hylan, who closed the theatre two nights ago on account of rioting called forth by the offering of Hun music to New York, the company started its performance last evening.

1944: De Gaulle at Helm

WASHINGTON — [From our New York edition:] The United States, in a sudden reversal of its long stand against recognizing the government of General Charles de Gaulle, announced today [Oct. 23] that it has accepted the French de facto authority in Paris as the provisional government of France. The action brings to a successful conclusion the diplomatic struggle for recognition begun by the French leader in 1940. Arriving unheralded in London at that time, General de Gaulle said: "France has lost a battle. She has not lost the war."

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OPINION

Kohl Again Can Be Good For Alliance and Europe

By Henry A. Kissinger

NEW YORK — Chancellor Helmut Kohl's coalition has prevailed with the narrowest margin in the Bundestag since the first German national election after the war, when Konrad Adenauer emerged as chancellor by dint of a single vote (presumably his own). Mr. Kohl's is nevertheless an extraordinary achievement.

He rebounded from being behind by double digits to win his fourth consecutive election despite a major recession, in the face of a substantial tax increase in West Germany to cover the unexpectedly high costs of unification, and in the midst of the pangs of upheaval associated with the political and economic restructuring of East Germany.

In the German political system, the margin by which a chancellor is chosen is not necessarily an indication of his ability to govern. Once established by the Bundestag, a chancellor can be replaced only by a majority vote for a successor and not, as in a parliamentary system, by a vote of no-confidence or a majority against specific policies.

A hostile, closely divided Bundestag can harass the chancellor, as this one surely will. And the upper house will in any event be dominated by the Social Democrats. But a positive vote to replace him remains hard to achieve. In nearly half a century, it has happened only once — when Mr. Kohl came into office in 1982.

A narrow margin did not prevent Konrad Adenauer from becoming a dominant chancellor. And it will not by itself diminish Mr. Kohl's authority, because the Kohl coalition's real margin is greater than it appears. No current leader would accept becoming chancellor through the 30 seats of the former Communist Party, which entered the Bundestag by a heretofore inoperative clause in the constitution. To change the chancellor, the Free Democratic Party with its 47 seats would have to switch coalitions.

But this is precisely why the election is likely to be viewed in retrospect as an angry of impending upheaval in the German political landscape; in fact, as the beginning of the end of the Kohl era — an event which will bring home to Europe and to America how much Atlantic and European cohesion has come to depend on his towering personality.

He has managed the NATO missile deployment, the unification of Germany and the integration of Europe with such matter-of-factness that few remember how precarious those processes were at every step along the way.

But the election makes it likely that Mr. Kohl's coalition partner, the liberal Free Democratic Party, will at a minimum become increasingly fractious. It may even abandon the coalition altogether and switch sides by midyear.

For the Free Democrats are having an identity crisis. They know that they scraped by in this election by the skin of their teeth; they came very close to failing to achieve the 5 percent of the total vote that is a prerequisite to entry into the federal

parliament. They may well have crossed that hurdle primarily because Mr. Kohl's party encouraged the switch of enough of its own votes to sustain the governing coalition. And they have lost every election to state legislatures in the last three years.

The FDP seems to have reached the point which Hans-Dietrich Genscher, the former vice chancellor and foreign minister, described to me in 1980, when his party had been in coalition with the Social Democrats for more than 10 years. He said then that the FDP would have to look for an opportunity to switch during the next electoral period because if its voters became too accustomed to a permanent coalition with the SPD, they would lose interest in a separate existence and vote for the SPD directly.

That situation seems to have arisen again, although the current FDP leader does not have the manipulative skill of Mr. Genscher and would have to take into account the risk of a complete disintegration of his party if he tried to change coalitions.

But self-interest will drive the FDP toward greater assertiveness, and, at an opportune moment, tempt it to switch coalitions — for

A clear sense of identity of the Alliance and a clear definition of the European Union are needed for good relations with Russia. Revitalizing European and Atlantic institutions would be a noble culmination of Mr. Kohl's stewardship.

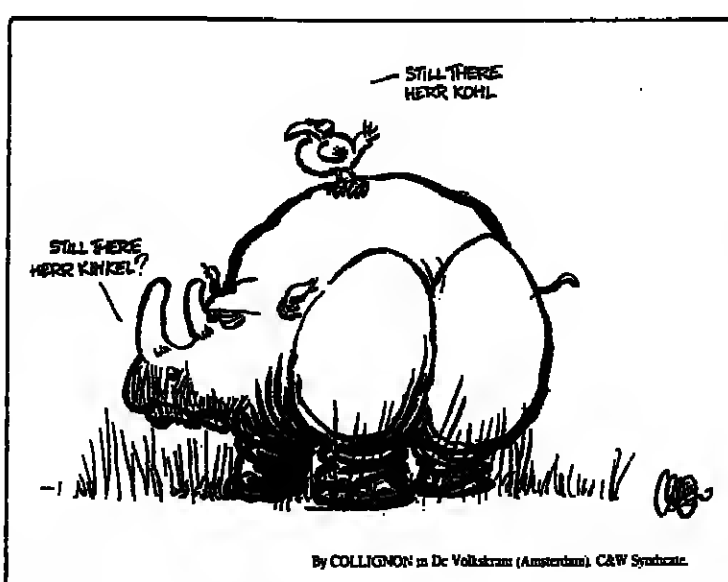
which the narrow margin of victory provides the mathematical possibility, as it did not in the last Bundestag. A switch at that time would not have sufficed to produce a majority for any alternative chancellor.

By contrast, if, in the wake of the recent election, the FDP joins the Socialists and the Greens, the liberals will be in a position to elect a new chancellor. Mr. Kohl's position will therefore be unprecedentedly precarious, and his government will require far greater effort than it has needed heretofore to pass its legislative program.

In addition, his own party may be tempted into succession maneuvers, although his domination of the machinery has so far squelched all would-be successors.

Mr. Kohl hinted strongly that, if elected, he might not serve more than two years and would hand over the rest of his term to a successor of his own choosing. But after the recent election, such a procedure could trigger the shift in coalition by giving the FDP a pretext to reject the Christian Democratic Union's choice.

On the other hand, if Mr. Kohl serves out the course, he will have



By COLLINGSON in De Volkskrant (Amsterdam), C&W Syndicate

an exhausting term as a prelude to fighting another bitter election battle, with this time, very uncertain allies constantly reviewing whether they are more likely to reach 5 percent as the right wing of an SPD-led coalition or as the left wing of a CDU coalition.

To me, these are melancholy prospects because I consider Helmut Kohl one of the seminal figures of our period. He has been a guarantee of Germany's Atlantic and European orientation and a shield against the nationalistic or romantic temptations from which his people have suffered through much of their modern history.

This does not reflect a lack of confidence in the leaders of the principal opposition party, the SPD, which proved its sense of responsibility under Chancellors Willy Brandt and Helmut Schmidt. Since then, however, its radical wing has grown far more restless; its coalition party would be the Greens, whose formal program rejects the Atlantic Alliance and a major international role for Germany. The center of gravity of such a coalition would be much further left and make the implementation of traditional Atlantic policy much more difficult.

The approaching end of the Kohl era is due not only to electoral arithmetic but to the transition in generations. Mr. Kohl is the last West German leader with a living memory of World War II and its aftermath, and for whom American help in reconstructing Europe represents a personal, indeed a sentimental, experience.

The next generation — of all the parties — will be less tied to traditional interpretations, more cool-headed about assessing national interests, and more ready to assert a national German role. This will be reinforced by the growing influence of the formerly Communist part of Germany — a region whose people lived under totalitarianism for 60 years, did not experience the great period of Atlantic cooperation and European construction, and saw in nationalism a refuge from Communist oppression.

These trends are compounded by the fact that the post-Cold War world has cut Germany loose from some of its previous moorings.

When Germany was divided, Europe provided a political home and a substitute for a national policy. So long as German armies stood on the Elbe, the Atlantic Alliance was essential for German security. Germany's unification removes one in-

centive for subordination to supranational institutions, and the retreat of Russian forces from Central Europe eliminates another.

At the same time, there has been no American initiative to define new purposes for the Atlantic Alliance other than the Partnership for Peace, which erodes geographic delineations without developing new common purposes.

No wonder that both the extent and the content of Europe have become controversial — all temptations to a more national role.

For America, the approaching end of the Kohl period represents a watershed of its own: whether to continue emphasizing new universalist institutions that threaten to weaken progressively the Atlantic Alliance and change the nature of the European Union, or to turn to revitalizing the existing building blocks of the European order and the Atlantic Community.

The Clinton administration will not have time to pursue both approaches in partnership with Mr. Kohl; it must establish priorities. Unless the Atlantic Alliance is given a mission and a purpose reflecting its historic essence, it will gradually dissolve in a mishmash of universalist slogans indistinguishable from those of the United Nations and of general collective security. One can hardly build Europe, or an Atlantic partnership, if one is not willing to define where Europe begins and ends.

In the time remaining, America must work with Mr. Kohl on defining membership in both the Atlantic Alliance and the European Union for the states of Eastern Europe, and on creating new but different structures for political consultation with the states arising out of the former Soviet Union.

A clear sense of identity of the Atlantic Alliance and a clear definition of the European Union are prerequisites to good relations with Russia. The reluctance to draw new lines means reliance on those made irrelevant by the end of the Cold War. But neither Europe nor the Atlantic Alliance can stop at the East German border without creating a vacuum between Germany and Russia — the historic source of European wars.

Revitalizing European and Atlantic institutions would be a noble culmination of Mr. Kohl's stewardship. It is important, for, whatever happens, America and Europe will not soon find so reliable and courageous a partner as Chancellor Kohl.

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Thanks, Norway, but We Give Up

By Malcolm Gladwell

NEW YORK — Thirty years ago this fall, inside the concrete field house on the campus of the Moses Brown school in Providence, Rhode Island, a group of architects and social planners installed the world's first field of artificial grass. They were looking for something to cover the hard asphalt of urban playgrounds, to create for inner city children an experience equivalent to the grassy playing fields enjoyed by their counterparts in the suburbs.

It was not to be, of course. Artificial grass proved too expensive for city budgets and ended up instead as Astroturf, the surface of many professional and college sports stadiums.

A generation later, the abortive experiment at Moses Brown stands as a powerful symbol of a lost era in urban thinking, a testament to how much America's approach to the problems of cities has changed since the early 1960s.

The people who dreamed up artificial grass thought that the poor could be lifted by changes to their

good reason, given the disastrous record of many of the grand social experiments of the 1950s and '60s.

The story of artificial grass and the ideas that lay behind it, however, is a reminder of how shallow this new "realism" can be. After all, 30 years after the creation of artificial turf, cities like New York still have not managed to bring the playgrounds of the inner city up to par with those of the suburbs. In effect, we have abandoned the old ideas about helping the disadvantaged, without coming up with any better ideas of our own.

"In the early days, we had this sense that if you put intelligence and reason to work, you could solve social problems," said Jonathan King, an architect at Texas A&M and a member of the group that first conceived of artificial grass. "I don't see that anymore. All I see is a deep cynicism about the decay of our society, and the sense that we can't do anything right."

The group that came up with Astroturf was a spin-off of the Ford Foundation known as Educational Facilities Laboratories, or EFL, made up of architects and educators. Their driving premise was that better design of school buildings could make a measurable difference in the quality of urban education.

The ideology was rooted in a long-standing and honorable intellectual movement, what historians refer to as the "environmentalist" tradition. This was the philosophy of reformers like Jacob Riis, who in the late 19th century exposed the squalor of New York City slums, arguing that it was the conditions in which the poor lived, not any deficit in character, that kept them poor.

"The idea has been around a long time," said Nicholas Lemann, author, most recently, of "The Promised Land." "It was a staple of the progressive era, this idea that if you improve the physical environment, it will improve the spirit and the mind."

EFL pushed successfully for the use of carpeting in new school construction, which made classrooms quieter and easier to clean. It was also the group responsible for the move to build schools with air-conditioning, overcoming opposition from school boards and educators by proving both that the idea was financially feasible and that it created an environment more conducive to learning in hot weather.

LETTER TO THE EDITOR

Halt the Attacks on Israelis

Nearly all Israelis accept the fact that the peace process with the neighboring countries, and especially with the Palestinians, does require the granting of considerable concessions by Israel, even if these are costly and painful to Israel.

However, not even the most peace-loving and concession-ready Israelis can accept the fact that despite these concessions some of the Palestinian groups keep on attacking and killing Israelis with no reaction from the Palestinian authorities, or for that matter the Arab countries, other than verbal condemnation of these attacks.

Unless this situation improves

drastically — that is, unless the Palestinian authorities and the other Arab countries control Hamas etc. and stop them from their terrorist activities — there will be no choice for the Israeli government but to react in a most forceful manner. Such reaction will surely have the same result as all previous reactions to Arab attacks on Israel.

I and the vast majority of Israelis who are desirous of peace and good relations with all our Arab cousins — I repeat: all of them — sincerely hope and pray that true peace will come soon to all of us and that no forceful Israeli reactions will be necessary.

PAUL KOLLEK, Jerusalem.

The writer is New York bureau chief for The Washington Post, in which this comment appeared.

BOOKS

SEARCHING FOR MERCY STREET: My Journey Back to My Mother, Anne Sexton
By Linda Gray Sexton. 307 pages. \$22.95. Little, Brown.

Reviewed by Michiko Kakutani

FEW writers' lives have been as relentlessly dissected as Anne Sexton's.

The poet's great subject, of course, was herself. Her poems feverishly anatomized her moods, her breakdowns, her anxieties, her marriage and her divorce, and they created a continuing self-portrait: Sexton the rebellious teenager, obsessed with boys "and cigarettes and

cars"; Sexton the middle-aged suburban housewife who "wore rubies and bought tomatoes"; Sexton the stressed-out mother haunted by "ugly angels"; Sexton the emotional invalid, "queen of this summer hotel" known as Bedlam.

Since Sexton's suicide in 1974, others have taken up the task of explicating her life. In a startling and highly controversial move, the poet's psychiatrist, Dr. Martin Orne, turned over more than 300 tapes of her therapy sessions to the writer Diane Middlebrook.

Middlebrook, in turn, drew heavily on those tapes for her 1991 biography of Sexton, creating a book that minutely chronicled the writer's emotional crises, suicidal fantasies, in-

cestuous relationships and adulterous affairs. Now, we have before us another account of that tempestuous life, from the point of view of her older daughter and literary executor, the novelist Linda Gray Sexton.

What makes this memoir so powerful and affecting is its candid, often painful depiction of a daughter's struggles to come to terms with her powerful and emotionally troubled mother.

In these pages, Linda Sexton grapples not only with her mother's sexual and emotional

abuse of her, but also with the psychological implications of her mother's writing: the fact that Linda's own childhood and youth were routinely mined for dramatic material by her mother, the fact that her mother spilled their family's domestic difficulties for all the world to see.

Certainly it was not easy being a daughter of Anne Sexton. Both the poet's mental illness and the gift that enabled her to turn her emotional torment into art tended to take her away from her children.

Linda and her sister, Joy,

grew up dreading the dark undergrowth of their mother's madness, worrying that she would abandon them through suicide or hospitalization.

When she was feeling better and bared at work, she could be equally elusive. Linda remembers her clapping down lunch on the table and quickly going back to her typewriter.

"I saw how she left it only reluctantly when I pestered her for a cookie or a story; how she resented my questions and my need to be near her," she writes. "I wanted to cuddle in her lap, but she wanted to concentrate. In desperation she would put on a record or set me down in front of the television and go back to her desk."

"Any demand is too much when I'm like this," Anne Sexton told her psychiatrist on a tape later played by her daughter. "I want her to go away, and she knows it."

At other times, Linda Sexton says, her mother suffocated her with demands. She recalls her mother sexually molesting her and frightening her with candid discussions of sex.

She recalls her mother pre-

tending to be a child and forcing her to assume the role of parent. And she recalls Sexton flying into a possessive rage when her primacy in her daughter's life was threatened by a therapist or a boyfriend.

Linda's feelings of anger and resentment were always grounded in a thick matrix of love and adoration, and that part of her always wanted to emulate and please her mother. She realized as a child, she says, that if she ever wanted to share her mother's life, she would have to learn to love poetry.

"If I wanted to be close, indispensable, a companion," she writes, "then words and language would be the bricks with which I would build the bridge."

And so, in time, Linda did become a writer, learning, like her mother, to use words to grapple with familial ghosts and, with this volume, to employ the power of the confessional.

Michiko Kakutani is on the staff of The New York Times.

WHAT THEY'RE READING

• Cesare Castell, managing director of an Italian designer housewares manufacturer called Domodimamica, is reading Cicero's "On the Art of Growing Old" in Italian and Latin.

"At a certain point in life it's good to start thinking about it. Cicero contradicts the notion that the passing of the years needs to rob someone of his joie de vivre."

(Brandon Muencher, LHT)



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China (English)	0086-100-100	Indonesia	0062-100-100	Peru	0051-100-100	USA (toll-free)	1-800-100-100
China (Mandarin)	0086-100-100	Ireland	00353-100-100	Philippines	0063-100-100	USA (local)	1-800-100-100
Colombia (English)	0057-100-100	Israel	00972-100-100	Poland	0048-100-100	USA (toll-free)	1-800-100-100
Colombia (Spanish)	0057-100-100	Italy	0039-100-100	Portugal	00351-100-100	USA (toll-free)	1-800-100-100
Costa Rica	00506-100-100	Jamaica	00868-100-100	Romania	0040-100-100	USA (toll-free)	1-800-100-100
Croatia	00385-100-100			Russia (Moscow)	007-010-100	USA (toll-free)	1-800-100-100

Dozens of Militants Arrested in Israel

Toll in Bombing Rises to 23

By Clyde Haberman
New York Times Service

JERUSALEM — Israel said Sunday that its security services had arrested dozens of West Bank militants from the Hamas Islamic group in a crackdown begun after the attack on a Tel Aviv bus, now said to have killed 23 people, including the suicide bomber.

No details were given about how many Hamas members had been picked up, or in which towns.

Some Palestinians waved off the arrests as involving only low-level Hamas supporters. But a senior Israeli government official said that they belonged to the group's armed wing and that some were suspects in anti-Israeli attacks that preceded the bus bombing last Wednesday.

The arrests were reported as the government moved to widen the separation between Israelis and Palestinians, already considerable because of a post-bombing ban that has kept West Bank and Gaza Strip Arabs from entering Israel.

Despite skepticism from some ministers, the cabinet increased the number of authorized foreign construction and farm workers, mostly Romanians, Bulgarians, Thais and Chinese, from 35,000 to 54,000.

It means that whenever the ban on Palestinians is lifted — and no end is in sight — there will most likely be far fewer Arabs allowed on Israeli streets than the roughly 60,000 laborers who had entered each day from the territories before the bus attack.

The action left some cabinet ministers uneasy, mainly those on the political left. Not only would it hit many Palestinians hard in their already threadbare pocketbooks, they argued, but it could also help Hamas by undermining the fledgling Palestinian Authority of Yasser Arafat, which runs Gaza and the West Bank town of Jericho.

"We have to be very careful here," Absorption Minister Yair Tshahan said.

Along a similar line, Nabil Shaath, the chief Palestinian negotiator in talks with Israel, protested that the territorial closing "means siege and starvation for Palestinians."

As he prepared to meet Foreign Minister Shimon Peres in Cairo Sunday night to discuss an Israeli-Palestinian relationship that has rapidly turned sour, Mr. Shaath said the Palestinian Authority had nothing to do with the Tel Aviv incident.

But the Israeli cabinet's concern was less with Palestinian sensibilities than with how to improve domestic security. The prevailing sentiment was that the solution lay in a more thorough separation of the two peoples, as urged last week by Prime Minister Yitzhak Rabin.

Mr. Rabin has also said that Israel's army and security agencies will take tough new measures against Hamas, whose armed wing took responsibility for the Tel Aviv bombing.

The retaliatory steps the Israelis have in mind are not being spelled out, but officials have mentioned mass arrests like the ones said to have just been carried out, house demolitions and cutoffs of overseas financing for Hamas.

There were reports Sunday that Mr. Rabin has ordered Israeli "hit squads" to kill Hamas leaders. Government officials declined to discuss the reports.

In the bus bombing, the death toll has changed several times because some bodies were ripped to pieces so badly that the total number could not at first be determined. On Sunday, the authorities put the figure at 23, including the Palestinian suicide attacker.



A poster of Yasser Arafat being put up in Hebron.

3 Hostages Said to Die In Riyadh

Continued from Page 1

RIYADH — Four people were killed and two others were wounded when security forces stormed a Saudi villa in Riyadh where Filipinos had taken the residents hostage, official Saudi sources said Sunday.

The dead included a 2-month-old baby and one of the hostage-takers, who had demanded a ransom of \$10 million, the official Saudi press agency SPA reported.

Residents and diplomats said earlier Sunday that the Saudi police had stormed the villa Saturday in the Saudi capital's King Fahd District.

They said three hostages had been killed in the drama — two servants and a son of Youssef Rajhi, who comes from a leading business family.

The Philippines consul-general tried unsuccessfully to negotiate with the hostage-takers before the police stormed the house.

Diplomats and residents said a Filipino housemaid and an Indonesian driver were killed by the attackers.

Residents said a child, Mr. Rajhi's son, was killed and was buried in Riyadh on Sunday. They did not know his age. They also said Mr. Rajhi's wife and another son were believed to have been wounded.

"We were informed by the police that the attackers are Filipinos," an official at the Philippine Embassy in Riyadh said. (AFP, Reuters)

WAR: How the Decision Was Made to Stop the Attack

Continued from Page 1

services, political sensitivities to how the war was described in the news media, and General Powell's determination to get the troops out quickly. These were among the revelations:

• No one in Washington, even General Powell, understood what was clear to military commanders in the field: that much of Iraq's crack troops, the Republican Guard, had not been destroyed and were, in fact, escaping across the Euphrates River.

• The inability to cut off those troops stemmed not only from a premature decision to end the war but from a fundamental flaw in the battle plan, which assumed that the Iraqis would stand and fight. Instead, they bolted when the Marines began their assault to free Kuwait, and the U.S. troops had trouble accelerating their attack to catch them.

• As the war drew to a close, the clear goal of destroying the Republican Guard gave way to confusion over political concerns. After the cease-fire, the Saudis were so unhappy with the outcome that they proposed a secret plan to arm Iraqi Shiite insurgents, and one top U.S. Army general developed a secret contingency plan for American tanks to roll north to Baghdad — a project quickly shut down by his alleged superiors.

• Wary of long-term commitments, top military officers blocked a proposal by U.S. diplomats at the end of the war to create a demilitarized zone in southern Iraq. After two Iraqi Republican Guard divisions moved near Kuwait earlier this month, Clinton administration

officials pressed U.S. allies to approve a similar plan to keep Iraq from threatening Kuwait again.

The Generals

When the Iraqis swept into Kuwait on Aug. 2, 1990, the most important figure in the U.S. military was General Powell. A former national security adviser to President Ronald Reagan and a career army officer, General Powell had a finely tuned sense of politics. He had served as a young officer in Vietnam and was fiercely protective of the institution in which he had spent his adult life.

His watchword was caution. General Powell did not want to

Washington did not understand what was clear to commanders in the field: that most of Iraq's crack troops had not been destroyed.

get into the war in the first place, and once the war came he wanted to win quickly and get the troops home.

When the Iraqis invaded, Defense Secretary Dick Cheney met with General Powell and other senior Pentagon officials to discuss how the United States should react.

"We need an objective," Mr. Cheney said, according to notes taken by an aide. He wondered whether the American people would support military action to put the Emir of Kuwait back on his throne.

But General Powell argued that the West had little choice but to accept Saddam Hussein's invasion and should concentrate on defending Saudi Arabia. "The next few days, Iraq will withdraw," he said, according to the notes. "But Saddam Hussein will put his puppet in. Everyone in the Arab world will be happy."

He continued: "I don't see the senior leadership taking us into armed conflict for the events of the last 24 hours. The American people do not want their young dying for \$1.50-gallon oil."

Mr. Bush, however, saw it differently. Stiffened by a meeting with Prime Minister Margaret Thatcher of Britain, Mr. Bush declared that he would not allow the invasion to stand. Whether they wanted to or not, the generals were going to war. But the president would allow the top generals to set strategy, he gave them the overwhelming forces they requested and he allowed them to decide when the war would stop. From start to finish, it would be the generals' war to win or lose.

The Plans

The goals Mr. Cheney was seeking were made clear when General Schwarzkopf met with his top military commanders in November 1990. He reminded them that the administration's objective was not just to defeat the Iraqis or chase them out of Kuwait. The Republican Guard, the most capable and loyal unit in the Iraqi Army, was to be destroyed, an explicit mission the Central Command later put in writing.

One chief goal of the allied attacks was also to eliminate Iraq's capacity to threaten its neighbors. American officials also believed that without the Republican Guard, President Saddam's chances of holding power would diminish.

Over months of wrangling, a war plan took shape, with each service in the U.S. military competing for an important role. The air force wanted to win the war carrying out precision air strikes in downtown Baghdad and pounding Iraqi ground troops.

The army hoped to deliver the knockout blow with a "left hook," an ambitious plan in which two army corps — the XVIII Airborne Corps and the VII Corps — would sweep across western Iraq and slam into the flank of the Republican Guard forces dug in just across the Kuwaiti border in southern Iraq.

The Marines, insisting on having their own attack, drew up plans for a lightning assault to liberate Kuwait. General Schwarzkopf, the commander responsible for meshing the parts of the plan, said in an interview that he never expected the Marine attack to move as quickly as it did.

But in the first hours of the land offensive, it became clear that much of the Iraqi Army lacked the will to fight and had been seriously weakened by the allies' bombing attacks.

The success of the Marines was a relief for the top commanders, who feared that they would take serious casualties. But it also posed a problem. Instead of distracting the Iraqis while the army readied its "left hook," the Marines acted as a battering ram, driving the Iraqis into retreat while the army units to the west were just getting under way.

In the war room at the Saudi Ministry of Defense in Riyadh,

General Schwarzkopf became furious as he realized what was happening. He demanded that the VII Corps commander pick up the pace and crush the Iraqis before they got away. The army's plan could not easily be speeded up, but by Feb. 27 the attacking divisions had finally built up significant momentum.

The XVIII Corps' field commanders had wound up their troops and were ready to spring forward. Major General Barry McCaffrey had taken the 24th Mechanized Infantry Division deep into the Euphrates River valley. He planned to cut off the Iraqi retreat by driving east to the canal on the outskirts of Basra, a city in southern Iraq.

Meanwhile, Major General Binford Peay of the 101st Airborne Division penetrated deep into western Iraq and was heading forward. Major General Barry McCaffrey had taken the 24th Mechanized Infantry Division deep into the Euphrates River valley. He planned to cut off the Iraqi retreat by driving east to the canal on the outskirts of Basra, a city in southern Iraq.

To the south, the VII Corps was finally gathering momentum. All they needed was an order. And one more day.

The Politics

In Washington, the stunning success of the allied forces was becoming a potential political problem. News reports told of U.S. pilots' bombing Iraqi troops retreating from Kuwait City.

The U.S. military later determined that a couple of hundred Iraqis had been killed on the "highway of death," as the road north had been named by journalists, but the administration feared that it would be seen as slaughter.

On the afternoon of Feb. 27, Mr. Bush met with his senior national security aides in the Oval Office. He and General Powell were concerned not only about achieving their military goals but also about how the war was being portrayed by the news media.

Mr. Bush suggested that he give a speech to punctuate the end of the war. The basic decision was set.

At 9 P.M. in Riyadh, General Schwarzkopf strode to the lecture at the Hyatt Regency Hotel and announced that the Iraqi Army had all but been destroyed.

"The gate is closed," he declared.

An hour and a half later, he was on the phone with General Powell, who called to say that the White House was considering imposing a cease-fire as early as 5 A.M. Gulf time. Things were getting difficult back in Washington, General Powell explained, alluding to the reports about the "highway of death."

The White House planned to have Mr. Bush tell the Iraqis in his war-ending address that they should get off their equipment and walk. That way the Iraqis could not salvage many of their tanks.

But because of the difficulty getting word to the Iraqis in the field to abandon their equipment, that demand was dropped from the speech.

Despite General Schwarzkopf's confident statements at the briefing, reconnaissance missions were showing that substantial numbers of Iraqis were continuing to escape.

General Schwarzkopf told General Powell that if a cease-fire were announced, the White House would see Republican Guard T-72 tanks escaping north. Nevertheless, Mr. Bush and his aides agreed to end the ground war at 100 hours, meaning the cease-fire would begin in the Gulf at 8 A.M. local time.

Lieutenant General Cal Waller, the deputy head of the Central Command, became irate.

"Why a cease-fire now?" General Waller recalled asking his superior.

"One hundred hours has a nice ring," General Schwarzkopf replied.

General Waller uttered an epithet.

"Then you go argue with them," General Schwarzkopf said.

The Post-Mortem

To General McCaffrey, of the 24th Mechanized Division, the news that a cease-fire was about to be called came at the worst possible moment.

Neither General McCaffrey nor his key commanders thought that the entire Republican Guard had been destroyed, nor did they believe that driving to the outskirts of Basra and cutting off the Iraqis' two major escape routes posed a high risk of U.S. casualties or would lead to the slaughter of Iraqis.

This year, Mr. Bush defended his decision to end the war at 100 hours.

In written responses to questions, he said: "If we continued fighting another day, until the ring was completely closed, would we be accused of a slaughter of Iraqis who were simply trying to escape, not fight? In addition, the coalition was agreed on driving the Iraqis from Kuwait, not on carrying the conflict into Iraq or destroying Iraqi forces."

The writers of this article adapted it from their book, "The Generals' War," to be published by Little, Brown & Company in January.

Nick of Time: Rabin Pops Out For Some Puffs

Agence France-Press

JERUSALEM — Prime Minister Yitzhak Rabin was forced to pop out twice during Sunday's cabinet meeting to satisfy his addiction to nicotine, state radio reported, as anti-smoking laws came into force.

Mr. Rabin, a lifelong chain smoker, found all the ashtrays had been removed from the cabinet room when he arrived. The new legislation bans smoking in virtually all public places, including at work. Restaurants and employers have set aside smoking areas.

Before Sunday's cabinet session, Health Minister Ephraim Sneh, a doctor, presented Mr. Rabin with the legislation to make it clear that passive smoking was out as far as he was concerned, the radio said.

RACE: Republican Gains Foreseen

Continued from Page 1

nor's protestations that he is not interested. Others talked about as possible nominees include Governor William F. Weld of Massachusetts, who is well ahead in the polls.

President Bill Clinton's reelection efforts would not be doomed if his fellow Democrats were defeated in electoral-vote rich states. In 1992, he won in California even though Mr. Wilson was governor, and he lost Texas, despite help from Governor Richards.

By gaining control of the governorships in the biggest states, Republicans would get an advantage in setting a national agenda on issues.

"If Republicans do pick up these seats, the most important factor will be the sheer number of people in the general electorate who will be introduced to reforms that Republican governors have proven they can do," said Chris Henick, executive di-

rector of the Republican Governors Association.

The Democrats knew from the start of the campaign season that it would be a tough campaign if for no other reason than that they held 21 seats that are up this year, compared with 13 by the Republicans. There are also two races for seats held by independents, though in Alaska, the independent, Walter J. Hickel, was switched back to the Republican Party.

As happens with the Congress, the party that wins the White House usually loses many gubernatorial seats in the subsequent midterm election. The last two times the Republican Party lost the presidency, Republicans picked up six seats in 1978 and eight seats in 1986.

The Northeast, which for years has been dominated by Democrats, is unusually competitive for this year. Republicans are locked in tight races and could pick up seats in New York, Connecticut, Rhode Island and Pennsylvania.

EAST: 5 Years After they Were Kicked Out, Ex-Communists Are Thriving

Continued from Page 1

hurdle of history would complicate the transition. In 1990, the U.S. government predicted that the creation of free markets and democratic governments in once Soviet-ruled Eastern Europe would take about five years. But five years after the revolution began, there is still a lot of work to do.

On the streets of Eastern Europe, a sense that they are being mocked by history pervades the chatter of housewives, peddlers, hustlers and those just struggling to get by. Gripping has become a way of life, partly because people are impatient for change and partly because after 45 years of government-enforced silence, everybody enjoys a good beef.

On a recent market day in Timisoara, where Romania's 1989 revolution began, Emilia Radulescu, a 48-year-old engineer, summed up the contradictory feelings of many. "It's not worse now," she said. "But it was better then."

Mr. Tinu, a party member since the mid-1960s, rose quickly through the ranks of Romania's infamous Securitate secret police. By age 34, he was a major, and he soon jumped to deputy security chief for Timis County, the richest in Romania, where he supervised "counterintelligence activities and disinformation."

By late 1989, Mr. Tinu had taken personal responsibility for directing surveillance on Laszlo Tokes, an ethnic-Hungarian pastor and crusader for human rights. It was Mr. Tokes' refusal to leave his parish house in Timisoara, the county seat, that touched off Romania's revolution on Dec. 15, 1989, when hundreds of Romanians clashed with police and Securitate agents trying to dislodge him.

"I never met the man, but I listened to the wiretaps on his house," Mr. Tinu said in a cynical acknowledgment of his eavesdropping operation. "He seemed like an educated fellow. He played Bach. I liked his music very much."

Mr. Tinu's story reflects one of the ironies of 1989, that those in the security services and the Communist Party who were supposed to be swept from power were actually the best prepared to take advantage of the changes. Across Eastern Europe, men and women like Mr. Tinu have capitalized on the move to capitalism.

In Warsaw, casual observers note with irony that the stock exchange is in the old headquarters of the Polish Communist Party. But many of the major investors are former Communists, a testimony to their seamless move from dominating political power to substantial wealth.

There are even indications that many of the former Communists are doing better now than ever before, thanks to their knack of exploiting their positions and the cohesiveness that in many ways defines the former Communist camp.

Henryk Domanski, a Polish sociologist who is studying the influence of the former Communist elites, has recently found that Poland's Communist managers, who generally made about 50 percent more than skilled workers before the revolution, now enjoy a gap 10 times as wide.

"They are leaving the rest of society behind," he said.

Manipulating the "old comrade" network of party bosses, ministry bureaucrats and customs officials, Mr. Tinu has plied

Poland's Communist managers, who generally made about 50 percent more than skilled workers before the revolution, now enjoy a gap 10 times as wide.

his trade in soft drinks, cigarettes and gasoline. For him, the successes of the new system are indisputable. He and his wife have summered in France the last two years; he drives a new Mercedes-Benz, and she uses a shiny Audi sports car.

"The people who praise themselves for not being Communist Party members were mostly those who didn't get high enough grades in school to qualify," he said. "We were the elite then. It's natural we should be the elite now."

In contrast to Poland, Hungary or the Czech Republic, the old elite never left power in Romania.

The country's longtime Communist dictator, Nicolae Ceausescu, was ousted and executed in December 1989 by a faction of the Communist Party. That group, led by Ion Iliescu, then consolidated its hold on power, formed a new political party and won subsequent national elections against a weak, divided and occasionally persecuted opposition. Mr. Iliescu is now president.

Romania's revolution was the most violent in the region; members of the Secur-

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DOLLAR: How Far Downhill?

Continued from Page 1

the absence of additional monetary restraint.

"Indeed, investors may reduce existing holdings in the United States. The result would be a crisis of confidence, with a further depreciation of the dollar leading to a jump in bond yields and in response, to a plunge in equity values."

Analysts are agreed that the Fed has waited too long to increase rates another half-percentage point, or 50 basis points — a move that is widely anticipated in the bond market.

This week, the major economic report will be preliminary third-quarter gross domestic product, to be released Friday.

The consensus is that third-quarter growth has slowed from the second quarter's annual rate of 4.1 percent. Some analysts say it will have slowed to a near 2 percent annual rate, while others predict a number closer to 3 percent.

As for the fourth quarter, analysts think growth has accelerated to "probable boom conditions," with J. P. Morgan analysts predicting a 4.5 percent annual rate.

"If the Fed waits until its next scheduled meeting in No-

vember to increase rates and then only moves by 50 basis points, the dollar could come under severe pressure," said Brendan Brown, an analyst at Mitsubishi Finance International in London.

He would prefer to see the Fed move before the Nov. 8 congressional election. Conventional wisdom has the Fed on hold until after that date. Mr. Brown added that another 25 basis point increase at the Fed's Nov. 15 meeting "would probably be enough to stop" the dollar's rout.

"If we see nothing, then we'll have a full-blown dollar crisis," he said.

But Mr. MacKinnon of Citibank said that talk of a crisis was overdone. "It can only be a crisis if the dollar's decline impinges negatively on the U.S. economy, the German economy, or the world economy."

That is not the situation, he added. "The Bundesbank is quite happy with the dollar at these levels; exporters can live with a strong mark. The White House has no problem with dollar slippage, as it buoy's exports. It would only be a crisis if it triggers some sort of sea-change in interest rate policies, which would be bad news for the major economies."

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CAPITAL MARKETS

Global Bond Markets Find Time Is Not on Their Side

By Carl Gewirtz
PARIS — The international bond market is in a waiting mode. Waiting for an increase in U.S. interest rates from the Federal Reserve Board, which is waiting until after the Nov. 8 congressional election. And the waiting, which is feeding fears of renewed selloffs, keeps prices under pressure.

Prices in all major markets except Japan fell last week, and the outlook is for more of the same as European markets remain incapable of decoupling from the bearish impulses emanating from New York.

Issuers looking to raise money in this environment have only two choices, bankers report: Fixed-rate funding in yen, or floating-rate notes in dollar or Deutsche marks.

The yen market remains available because Japanese investors are awash in cash and unwilling to buy foreign assets until there is evidence that the yen has ceased appreciating. With recovery just getting under way in Japan and the currency strong, there is no fear of any imminent upward pressure on long-term interest rates.

The World Bank is expected to tap into this favorable environment with a global issue of up to 200 billion yen. The issue will be the bank's fifth yen global bond, most likely a 10-year maturity.

Elsewhere, investors are looking for floaters — in general because they provide the best protection against rising interest rates and in Germany because the demand for money-market instruments remains high after the summer's inauguration of money market funds.

More than \$1 billion in pure Eurobond floaters were sold last week, including \$500 million from BankAmerica, with a coupon at 18.75 basis points over the three-month interbank rate and \$250 million each from the National Bank of Canada and Ford with interest set at 20 basis points over the benchmark. All three had a maturity of five years.

The Federal Home Loan Board, a triple-A rated federally sponsored institution, sold \$200 million of one-year notes, with interest set at 20 basis points below the three-month interbank rate. Officials at J.P. Morgan, the sole manager, said the paper was placed primarily with non-Japanese investors in Asia who are "keen to diversify" into such a rare international issuer.

The Federal Home Loan Board set up a \$5 billion global medium-term note program earlier this year. Under the aegis of Salomon Brothers, it also sold \$400 million of two-year notes carrying a coupon of 6.875 percent and offered at a slight discount to yield five basis points more than comparably dated U.S. government paper. A Salomon Brothers official estimated the borrower saved "five to eight basis points" compared with what it would expect to pay to raise money in the U.S. market.

Sold under difficult market conditions, with the Treasury market declining, the Federal Home Loan Board paper was quoted late Friday at a spread of 16 basis points. The major takers were also

See BONDS, Page 11

A Furor Over Aide's Memo to Clinton

By Ann Devroy
WASHINGTON — Budget Director Alice M. Rivlin has outlined for President Bill Clinton a broad range of options, including tax increases and cuts in popular programs such as Medicare and Social Security that she said Mr. Clinton will have to choose among as he plots his fiscal — and political — course the next two years.

Republicans, smarting over Democratic criticism that their proposals for reducing the budget deficit would lead to cuts in Social Security and Medicare, are hoping to make political waves with the document.

The package of choices Mrs. Rivlin presented to Mr. Clinton includes six paths, three of which keep the deficit on a downward track by such devices as capping Social Security for wealthier recipients, limiting mortgage interest deductions or state and local tax deductions. All are politically explosive and difficult choices.

White House officials called the memo a listing "of what's out there in the fiscal literature," that is unrelated to proposals Mr. Clinton might make.

But by outlining entitlement cuts and tax increases as possibilities, Mrs. Rivlin's memo, issued Oct. 3, provides Republicans fuel for charges that the White House is being hypocritical in attacking Republicans for signing a "Contract with America" to, among other things, balance the budget.

The memo was leaked Friday to Republicans. William Kristol, a Republican strategist, said it was obtained from "a public-spirited senior administration official" and reflected the "craven hypocrisy" of the White House charges that Republicans would slash Social Security and Medicare.

Mrs. Rivlin, in an interview, said the memo, part of early budget planning, was prepared simply "to bring the president up to speed on the debate" and the options "are not necessarily our options."

The White House chief of staff, Leon E. Panetta, added his voice to the White House denials over the weekend.

Lukoil Thrives on Reform Russian Firm Takes On West's Giants

By Richard W. Stevenson
New York Times Service
MOSCOW — For years, a group of Western oil companies negotiated with Azerbaijan, seeking a deal to develop some of the former Soviet republic's vast oil reserves.

Then, early this year, the Azerbaijanis stunned the consortium with the news that a new company would be joining them at the table: Lukoil, Russia's biggest oil producer.

Azerbaijan's decision to grant a 10 percent stake in the project to Lukoil was motivated in part by the tangled political ties between

associations. Lukoil has established itself as one of the country's most promising corporations and one of the most appealing targets in Russia for foreign investors.

CS First Boston, an investment firm, already holds a 2.87 percent stake bought through the initial stage of Russia's privatization program. In addition to selling 20 percent of its shares domestically this year, Lukoil plans to sell 15 percent of its shares abroad next year.

The Russian government will hold on to a 45 percent stake in the company for at least three more years.

Lukoil's oil and gas output accounts for 15 percent of the Russian total and, at about a million barrels a day, is slightly less than that of Texaco, the third-largest U.S. producer.

Its reserves, which are estimated at more than 15 billion barrels, put it within range of the Royal Dutch/Shell Group, whose reserves of 17.7 billion barrels are the largest outside the state-owned national producers in the Middle East, China and Latin America.

Lukoil is still adding to its reserves by searching out new fields in Russia and, as the deal in Azerbaijan showed, throughout the former Soviet Union. It is cooperating with Agip, the Italian oil company, in joint ventures in Egypt and Tunisia, and has been negotiating with Iraq about joint deals in that country.

At the same time, it is adding refining capacity to turn the crude oil it produces into gasoline, heating fuel and other finished products.

Lukoil has started building Western-style gasoline stations in Russia, a nation where many drivers buy fuel from tanker trucks parked at the side of the road.

"The only problems we have are technical and financial," Mr. Fedun said. "As long as we can get the financing, we will be able to produce as much oil as the market allows."

Formed four years ago out of three of the Soviet Union's largest regional oil producing

companies, Lukoil has established itself as one of the country's most promising corporations and one of the most appealing targets in Russia for foreign investors.

CS First Boston, an investment firm, already holds a 2.87 percent stake bought through the initial stage of Russia's privatization program. In addition to selling 20 percent of its shares domestically this year, Lukoil plans to sell 15 percent of its shares abroad next year.

The Russian government will hold on to a 45 percent stake in the company for at least three more years.

Lukoil's oil and gas output accounts for 15 percent of the Russian total and, at about a million barrels a day, is slightly less than that of Texaco, the third-largest U.S. producer.

Its reserves, which are estimated at more than 15 billion barrels, put it within range of the Royal Dutch/Shell Group, whose reserves of 17.7 billion barrels are the largest outside the state-owned national producers in the Middle East, China and Latin America.

Lukoil is still adding to its reserves by searching out new fields in Russia and, as the deal in Azerbaijan showed, throughout the former Soviet Union. It is cooperating with Agip, the Italian oil company, in joint ventures in Egypt and Tunisia, and has been negotiating with Iraq about joint deals in that country.

At the same time, it is adding refining capacity to turn the crude oil it produces into gasoline, heating fuel and other finished products.

Lukoil has started building Western-style gasoline stations in Russia, a nation where many drivers buy fuel from tanker trucks parked at the side of the road.

"The only problems we have are technical and financial," Mr. Fedun said. "As long as we can get the financing, we will be able to produce as much oil as the market allows."

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China Reports 49% Increase in Foreign Outlays

Compiled by Our Staff From Dispatches
BEIJING — Foreign investors continued to pour into China in the first nine months of the year, totaling \$22.72 billion for a rise of 49 percent over the same period last year, the official China Daily reported on Sunday.

The increase was primarily led by the establishment of more capital- and technology-intensive projects from the world's transnational corporations," Li Xinning, an official with the Ministry of Foreign Trade and Economic Cooperation, told the paper.

The larger size of projects helped offset a decline in the number of new ventures being set up, which fell 46 percent from the same period a year ago.

A separate category indicating future investment also decreased, with promised foreign investment down 32 percent at \$57 billion.

Mr. Li attributed the decline in both figures to the government's macroeconomic policy since July 1993, designed to reduce property speculation.

China is on course to top last year's foreign investment intake of \$26 billion, second only in size to the \$32 billion that flowed into the United States.

But higher foreign investment might not be all good news for Beijing.

Ma Guonan, chief China economist with Hong Kong-based investment bank Peregrine Investment Holdings, said the big inflow was unexpected.

"The leaders were caught off-guard," he said. "They had been expecting an increase of 20 percent to 30 percent, but they've about 50 percent more."

Mr. Ma said foreign investors help fuel inflation, which is now running at an annual rate of 27.5 percent in China's 35 biggest cities, by creating extra demand in the economy.

Hochtit has charged Holzmann with performing so poorly that a stronger say in its management was long overdue, while Holzmann accused Hochtit of a suicidal embrace that could end badly for both companies.

"One plus one is less than two," said Lothar Mayer, chairman of Holzmann.

If only one of the two companies is invited into the final bidding for major projects because neither is considered a truly independent competitor, "the business of each will suffer," he said.

Both companies agree with the logic of collaborating abroad.

Opinions differ, however, on whether an alliance in the German market would be wise, or even permitted.

Japan's main international phone company, Kokusai Denshin Denwa, petitioned the government last January to act against the services. It charged that the systems unfairly exploit international telephone regulations that make a practice of not charging for uncompleted calls while at the same time tying up circuits.

These concerns have kept the customer base in Japan concentrated in the foreign community. But Japanese now comprise about a third of all subscribers, a ratio that is steadily rising. There are also a growing number of major corporations and embassies in Tokyo experimenting with the systems.

The \$100 billion understanding

If other governments had lost \$100 billion in currency trading it would raise a ruckus. But few in Japan seem to mind, or even to have noticed, that the Finance Ministry has suffered as much as \$100 billion in foreign exchange losses since the Plaza Accord of 1985 sent the yen spiraling higher.

"In other countries, if the government was losing its shirt left and right people would be very upset," said Richard Koo, senior economist at the Nomura Research Institute. "Here nothing happens, even though they've spent billions of dollars on foreign exchange with nothing to show but trillions of yen in losses."

Japan's foreign reserves, of course, have jumped as a result of the intervention, rising to \$117.54 billion at the end of September, a record for any country. The reserves, in fact, jumped about \$50 billion in just the past two years, economists say, owing largely to market interventions.

But in yen terms, the value of these reserves have been diminishing. Overall, Mr. Koo estimates total government, commercial and private Japanese evaluation losses on foreign investment, including securities and property, at about \$350 billion since the Plaza Accord.

By Steven Brull

But the latest figures indicate a slight easing in the pace of investment. In September, foreign firms pumped \$2.2 billion of new money into China, down from an average of \$2.56 billion over the previous eight months.

Mr. Li said 50 multinational corporations had gotten approval to set up holding companies since the 1980s, half of them in the past two years.

These holding companies are seen as a major conduit of new investment in the future. For instance, the German electronics giant Siemens AG announced on Friday that it planned to invest \$1 billion in China by the turn of the century.

The government will soon introduce a new law regulating the establishment of holding companies.

One area where Beijing wants more foreign investment is in ailing state-owned enterprise sector. Companies will be offered "certain stakes" to help revive Chinese partners, Mr. Li said.

Many state enterprises have already set up joint ventures or joint-stock companies with foreign partners, the paper said.

(Bloomberg, AP)

Singapore Air Soars

Singapore Airlines Ltd., the world's fifth-largest carrier, said Sunday it had posted an 18 percent jump in half-year profit and predicted an end to a global recession in the airline industry, Bloomberg Business News reported from Singapore.

"We can say with more confidence than before that the industry is past the worst," said Cheong Choon Kong, the airline's managing director.

The airline said its after-tax profit in the six months to Sept. 30 was 460.5 million Singapore dollars (\$312.6 million). Sales rose 7 percent, to 3.25 billion Singapore dollars.

competition out.

But as part of the Uruguay Round trade accord, Japan agreed to slightly relax its ban on rice imports, which has kept domestic retail prices at about five times the world average.

The measures are scheduled to take effect April 1.

The Finance Ministry resisted government plans to restrict easy credit for farmers in the package, the Yomiuri Shimbun said Sunday.

The governing coalition, dominated by Socialists and conservative Liberal Democrats, disagree on many issues but they apparently agree on the need to attract the farm vote.

Tokyo Plans Farm Supports

TOKYO — Japan plans to spend more than 7.2 trillion yen (\$75 billion) to help its politically powerful farmers cope when their long-protected home market partially opens to less expensive imports next year.

Two six-year spending packages agreed to by the government over the weekend are designed to help Japanese agribusiness adjust to a major international trade agreement.

The fragile governing coalition, which depends on the farm vote, is expected to formally approve the plan on Tuesday. The main aim is to calm the nerves of rice growers, who have depended on the gov-

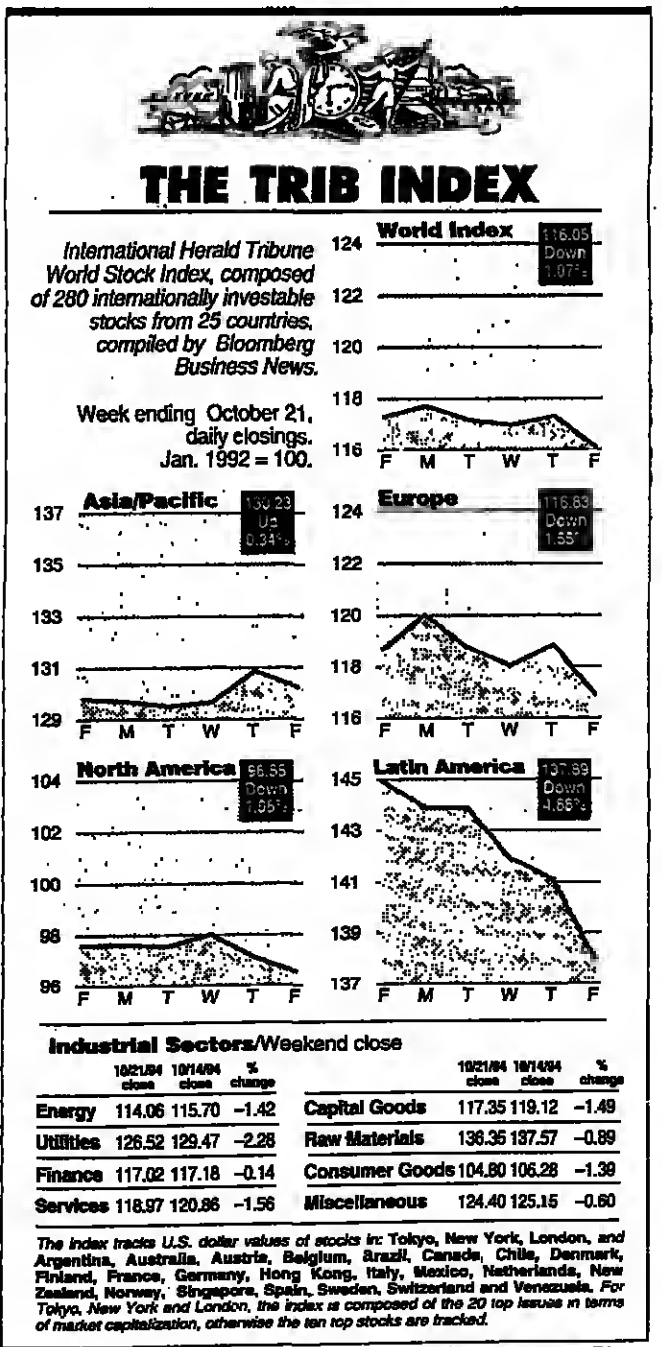
ernment to keep prices high and competition out.

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CURRENCY RATES

Cross Rates										Oct. 21
	\$	D.M.	P.F.	It.	D.F.	B.F.	S.F.	Yen	C\$	Peso
American	1.00	2.73	12.00	4.937	0.195	—	5.00	1.73	1.29	1.94
British	0.75	20.95	20.95	—	1.37	—	94.74	0.37	22.45	4.67
French	0.67	2.01	—	—	—	—	1.22	1.28	1.97	1.97
German	1.33	—	0.345	0.345	—	2.752	2.00	18.73	2.00	22.24
Italian	134.72	18.30	0.325	0.145	74.03	—	183.36	19.39	—	—
Japanese	1.571	2.80	10.470	29.24	—	74.13	47.34	123.75	15.76	12.93
Spanish	1.372	—	—	—	10.00	20.87	1.20	97.23	15.73	12.59
Swiss	1.51	0.305	—	0.240	2.699	3.145	4.778	5.22	3.76	4.91
U.S.	92.40	19.45	4.49	9.37	0.637	—	70.67	71.25	71.48	6.93
U.S. (10)	1.264	3.963	0.814	0.814	—	9.037	0.574	1.082	1.39	1.81
U.S. (100)	1.265	0.808	0.626	0.249	0.084	—	1.284	0.506	0.799	—
U.S. (1000)	1.835	0.767	1.74	6.513	1.793	2.465	3.815	19.79	12.94	15.65
U.S. (10000)	1.405	0.514	2.278	7.981	2.084	2.465	45.38	18.13	14.48	24.16

Cheques in Amsterdam, London, New York, Toronto and Zurich, receipts in other centers.
U. S. buy one pound to: To buy one dollar: U.S. units of 100 M.G.; not quoted; N.A. not available.

Other Dollar Values									
	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
American	0.75	Swiss	29.40	Aust.	3.475	S. Korea	2.57		
British	0.75	Hong Kong	7.723	N. Zealand	1.548	S. Afr.	77.50		
French	0.67	Indo. China	107.08	Spain	4.922	Sweden	7.035		
German	1.33	Indon. rupiah	31.32	Phil.	10.00	Switzerland	1.97		
Italian	134.72	Irish	27.00	Port. escudo	200.00	Thailand	24.90		
Japanese	1.571	1918 S.	11.81	Rum. leu	105.50	Turkish liras	35.285		
Spanish	1.372	Tenat. shah.	0.4221	Port. escudo	300.00	U.S. dollar	34.72		
Swiss	1.51	Swiss franc	0.305	Port. escudo	100.00	Venez. bol.	16.57		
U.S.	92.40	U.S. dollar	1.00	Port. escudo	100.00				
U.S. (10)	1.264			Sh. S.	1.73				

Forward Rates									
	30-day	60-day	90-day	30-day	60-day	90-day			
American	1.2612	1.2677	1.2677	Canadian dollar	96.74	96.99			
British	1.2612	1.2677	1.2677	Japanese yen	96.74	96.99			
French	1.2612	1.2677	1.2677						
German	1.2612	1.2677	1.2677						
Italian	1.2612	1.2677	1.2677						
Japanese	1.2612	1.2677	1.2677						
Spanish	1.2612	1.2677	1.2677						
Swiss	1.2612	1.2677	1.2677						
U.S.	1.2612	1.2677	1.2677						

Source: ING Bank (Amsterdam), Indosuez Bank (Brussels), Banca Commerciale Italiana (Milan), Societa Generale (Paris), Citicorp Bank of Tokyo (Tokyo), Royal Bank of Canada (Toronto).

WEEKLY INTERNATIONAL BOND PRICES

Provided by CS First Boston Limited, London, Tel: (071) 516 40 26. Prices may vary according to market conditions and other factors. Oct. 21.

Dollar Straights

Issuer Cpn Mat Price Yld 10y

Governments/Supranationals

Issuer Cpn Mat Price Yld 10y

Banks & Finance

Issuer Cpn Mat Price Yld 10y

Global Corporates

Issuer Cpn Mat Price Yld 10y

U.S. Dollars

Issuer Cpn Mat Price Yld 10y

Dollar Zeros

Issuer Cpn Mat Price Yld 10y

Floating Rate Notes

Issuer Cpn Mat Price Yld 10y

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Issuer Cpn Mat Price Yld 10y

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Issuer Cpn Mat Price Yld 10y

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NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Oct. 21.

Stocks Div Yld 10y High Low Close Chg

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ONDS: Intern

(Continued on page 13)

New International Bond Issues

Compiled by Laurence Desvillies

Issuer	Amount (millions)	Mat.	Coups	Price	End week	Terms
Floating Rate Notes						
Banco di Napoli	\$100	1999	0.30	99 1/2	—	Over 3-month Libor. Noncallable. Fees 0.20%. Denominations \$10,000. (Solomon Brothers Int'l)
BankAmerica	\$300	1999	3/16	99 3/8	—	Over 3-month Libor. Callable at par in 1997. Fees 0.175%. Denominations \$10,000. (Goldman Sachs Int'l)
Ford Motor Credit Corp.	\$250	1999	0.20	99 7/8	—	Over 3-month Libor. Callable at par in 1996. Fees 0.175%. Denominations \$10,000. (Goldman Sachs Int'l)
MBNA Master Credit Card Trust II	\$870	2000	0.30	100	—	Over 1-month Libor. Average life 4 years. Also \$45 million paying 0.35 over Libor. Fees 0.18%. Denominations \$1 million. (Merrill Lynch Int'l)
MBNA Master Credit Card Trust III	\$870	2001	0.26	99 3/8	—	Over 1-month Libor. Average life 7 years. Also \$45 million paying 0.45 over Libor. Fees 0.35%. Denominations \$1 million. (Merrill Lynch Int'l)
National Bank of Canada	\$250	1999	0.20	99 3/8	—	Over 3-month Libor. Recoupled at 99.97. Noncallable. Fees 0.20%. Denominations \$10,000. (Goldman Sachs Int'l)
Deutsche Bau und Bodenbank	DM 200	1999	1/16	99 3/8	—	Over 6-month Libor. Noncallable. Fees 0.20%. Denominations \$10,000. (SGZ Bank)
IMI Bank Int'l	DM 300	1997	1/8	99 3/8	—	Over 3-month Libor. Noncallable. Fees 1/8%. (J.P. Morgan)
Fixed-Coupons						
Argentina	\$500	1999	10.35	99 3/8	—	Semiannually. Noncallable. Fees 0.625%. (Goldman Sachs Int'l)
Central Puerto & Central Nequén	\$100	1997	10%	99 3/8	—	Semiannually. Noncallable. Fees 1%. Denominations \$10,000. (Citibank Int'l)
Esparfinans	\$200	1997	zero	100	—	Noncallable. Redemption amount at maturity will be linked to the Goldman Sachs Commodity Index. Total Return. Fees not disclosed. Denominations \$10,000. (Goldman Sachs Int'l)
Federal Home Loan Board	\$400	1996	6%	99 3/8	99 3/8	Noncallable. Fees 0.15%. Denominations \$10,000. (Solomon Brothers Int'l)
Oesterreichische Kontrollbank	\$400	1999	7%	101 3/8	98 3/8	Recoupled at 99.73. Noncallable. Fees 1/8%. (Goldman Sachs Int'l)
Eurofima	DM 400	1997	6%	101 3/8	—	Noncallable. Fees 1/8%. (Dresdner Bank)
National Bank of Hungary	DM 500	2001	9%	101 3/8	—	Recoupled at 99%. Noncallable. Fees 2 1/4%. (Bayerische Landesbank)
Depfa Finance	FF 2,000	1998	7%	99 3/8	99 3/8	Noncallable. Fees 0.25%. (BNP Capital Markets)
Deutsche Bank Finance	m. 100,000	1996	11	101 3/8	99 3/8	Noncallable. Fungible with outstanding issue, raising total amount to 300 billion frs. Fees 1 1/4%. (Deutsche Bank)
European Investment Bank	m. 200,000	1998	10.15	98 3/8	—	Noncallable. Fungible with outstanding issue, raising total amount to 2 billion frs. Fees 1 1/4%. (Banca Commerciale Italiana)
World Bank	m. 300,000	1997	10%	101 3/8	—	Noncallable. Fees 1 1/4%. (Deutsche Bank)
France Telecom	CS 125	1997	8%	101 3/8	—	Recoupled at 100.055. Noncallable. Fees 1 1/4%. (Paribas Capital Markets)
New South Wales Treasury Corp.	Aus\$ 100	2004	10%	101 3/8	—	Noncallable. Fees 2 1/4%. (Hambros Bank)
Swedish Export Credit	Y 10,000	1997	3.10	99 3/8	—	Interest will be 3.10% until Nov. 1995, when issue is callable at par, thereafter 3.70%. Noncallable. Fees not disclosed. (Y-machi Int'l)
Equity-Linked						
Ramong Berhad	\$225	2005	2 1/2	100	—	Redeemable at 129.70 in 1999 to yield 7 1/2%. Convertible at 4.36 (high) per share, or 10.10% premium, and 2.50 (high) per dollar. Fees not disclosed. (Morgan Stanley Int'l)
Samancor Overseas Financing Co.	\$100	2004	open	100	—	Coupon indicated at 6% to 7 1/2%. Callable at par in 1998. Convertible or on expected 10 to 15% premium. Fees 2 1/4%. Terms to be set Oct. 28. (Swiss Bank Corp.)

Bears and Bonds
Dollar Sours the Market

Compiled by Our Staff From Dispatches

NEW YORK — The Treasury market is expected to post new lows this week as U.S. interest rate uncertainty, the dollar and data on third-quarter economic growth keep the pressure on.

"You have the risk to see new lows across the Treasury curve," said Deb Packman, market strategist for Smith Barney in New York.

The first look at third-quarter gross domestic product, which is expected to show growth around 3 percent, will undoubtedly be the major economic news for the week.

Last week, a surge in single-family home sales in September and sharp increases in price gauges of the Philadelphia Federal Reserve Bank's October manufacturing survey caused bonds to slump, pushing the yield on the benchmark 30-year to the highest level in at least two years.

The data renewed concern that the Federal Reserve Board had fallen behind the inflation-fighting curve and would raise short-term interest by more than 50 basis points before the end of the year.

Most analysts expect a tightening of at least 50 basis points at the Nov. 15 Federal Open Market Committee meeting.

"Until the Fed moves, unless you get unusually weak economic data next week, the Fed has a problem," said Steve Wood, director of financial market analysis for BA Securities in San Francisco.

He said that fund managers were only willing to buy securities that mature near Nov. 15.

When Treasury yields were near their highs two weeks ago,

some fund managers considered the yield attractive because the economy was showing signs of slowing.

At the time, the expected tightening in November was seen as the last one for a while, said John Kim, chief investment officer for Aetna Life Insurance and Annuity Co. in Hartford, Connecticut.

Recent economic data have changed the picture.

"The issue now is whether the Fed has lost its grip" on inflation, Mr. Kim said.

Treasuries also are being hurt by weakness in the dollar, especially against the Deutsche mark.

A weakening dollar carries a two-fold punch against Treasuries. It makes dollar-denominated securities less attractive to investors and also can lead to inflation by making imports more expensive.

All the uncertainty in the market could make bidding difficult when the Treasury auctions \$17.25 billion in two-year notes Tuesday and \$11 billion in 5-year notes Wednesday.

"Economic growth is still strong and two-year and five-year are coming out in the bad environment. These notes will be traded at a discount rather than a premium over the next year," said William Stevens, portfolio manager at Montgomery Asset Management.

In when-issued trading late Friday the two-year note was being offered to yield 6.81 percent and the five-year to yield 7.46 percent. Both were up 10 basis points since Wednesday, when the Fed announced the terms of the auctions.

(Knight-Ridder, Reuters, NYT)

The Week Ahead: World Economic Calendar, Oct. 24 - 28

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

Oct. 24 Hong Kong August retail sales figures.
Tokyo Bank of Japan holds two-day quarterly branch managers meeting.
Oct. 25 Canberra Latest crop estimates.
New Delhi Communications India '94, a four-day international exhibition and conference on equipment, networks and services for telecommunication, opens.
Taiwan Taiwan Restoration Day holiday.

Europe

Oct. 24 Copenhagen Minister of Finance presents the October economic review.
Frankfurt October cost of living for North-Rhine Westphalia.
Expected sometime this week: Frankfurt August trade balance; August current account; August balance of payments.
Frankfurt October cost of living for Baden-Württemberg, Hesse, Bavaria.
Oct. 25 Bonn Leading German economic institutes present a joint autumn report.
London October Confederation of British Industry trends survey.

Oct. 26 Copenhagen July-August trade balance, excluding ships.
Oct. 27 Frankfurt Bundesbank central council meeting.
Paris September import prices.
Frankfurt September household consumption.
Earnings expected: Astra, Imperial Chemical Industries PLC, L'Oréal, Royal Dutch Petroleum Co.
Oct. 28 Brussels October CPI.
Brussels Trade Commissioner Leon Brittan of the EU meets with President Minister Anatoli G. Chubais of Russia.
Paris October insect industrial survey.

Americas

Oct. 25 Washington The Labor Department reports costs index for the third quarter.
Washington Existing home sales for September.
New York The Conference Board releases its index of consumer confidence for October.
Earnings expected: Altech Communications Inc., American General Corp., Baxter International Inc.

Oct. 26 Washington

September durable goods orders.
Washington The Federal Communications Commission opens its auction for 30 regional narrowband licenses to offer personal communications services.
San Jose, California Semiconductor Industry Association will announce its annual forecast for the semiconductor industry for 1995-1997.
Washington U.S. Department of Energy issues the weekly report on U.S. petroleum stocks, production, imports and refinery utilization.

Oct. 27 Washington

The Commerce Department reports third quarter housing vacancies.
Washington The Labor Department reports initial weekly state unemployment compensation insurance claims.

Oct. 28 Washington

The Labor Department reports third quarter housing vacancies.

Oct. 29 Washington

The Labor Department reports third quarter housing vacancies.

Oct. 30 Washington

The Labor Department reports third quarter housing vacancies.

Oct. 31 Washington

The Labor Department reports third quarter housing vacancies.

U.S. to Change CPI Formula

The Associated Press

WASHINGTON — The U.S. Labor Department is going to change how it measures the cost of living.

Effects of the changes, due in January, will perhaps shave only 0.1 percentage point off the annual inflation rate. But even that will be felt by millions of Americans because the Consumer Price Index is used to make cost-of-living adjustments in Social Security and other government benefits.

The government is modifying how it tracks prices of food, shelter, and prescription drugs.

Bank Branches: Dying Breed

By Saul Hansell
New York Times Service

NEW YORK — The next time you visit a bank branch in the United States, take a long look to savor the memory, then say good-bye. By this time next year, it may not be there.

With growth slow, expenses high and competition fierce, big banks around the country, from Chemical Bank in New York to Bank of America in San Francisco, are preparing to close an increasing number of branches.

Banks have been closing branches steadily over the last decade as they merged with nearby competitors and eliminated duplicate locations.

Now that many people have come to accept the impersonal technology of automated teller machines and other electronic devices as a routine part of doing business, the banks believe they can close more branches without losing many customers.

PNC Bank in Pittsburgh plans to close up to 30 percent of its 619 branches over the next two to three years. Chemical Bank decided this year to close 50 more branches, just as it finished shutting 80 others as part of its 1991 merger with Manufacturers Hanover, leaving it with 280 in New York.

While many people find electronic banking more convenient than trudging to their traditional branch, a lot of those who resisted automation are about to find it not only more difficult but probably more expensive to talk face-to-face to their local banker. For some, the changes are already hitting home.

"When Chemical Bank closed its branch, it was a body blow to everybody in the area," said Roland Lewis, a lawyer who lives in the Flatbush section of Brooklyn, where Chemical eliminated a branch this year.

"I had a routine every week to get cash," Mr. Lewis said. "I would walk three blocks and spend my money in the neighborhood bookstore and the Associated Supermarket. Now I walk eight blocks and spend my money in a different neighborhood."

The industry's resolve to close branches is bound to conflict with the government's demand that banks devote more resources to poor, underserved communities. In August, in what many bankers fear was a portent of things to come, the Justice Department settled a case against Chevy Chase Bank in Maryland on the condition that the bank open branches in black neighborhoods.

Banks are starting the outbacks by closing branches in more affluent urban and suburban areas, where the new banking technologies have been most accepted.

Huntington Bancshares, of Columbus, Ohio, for example, is replacing a third of its branches with smaller all-electronic sites. But William M. Randle, a senior vice president, said it was holding off in poor communities. "Where people may be less comfortable with the technology than in up-market areas."

What is driving all this is the recognition that the cost of maintaining a bank branch in every neighborhood — with the tellers, managers, real estate costs and other expenses — is too high for most banks to justify any longer.

"In the last few years, the banking industry has done extraordinarily well," said Joel Friedman, a partner in Andersen Consulting, the consulting arm of the big accounting firm. "But structurally nothing has changed: There are too many competitors chasing too few customers."

Retooling Japan's Economy

By Andrew Pollack
New York Times Service

TOKYO — Japan's longest economic slump since the end of World War II is finally ending. But that has brought little cheer to Sakawa Seisakujo, a 60-person company in Tokyo that makes guide rails for elevators.

Sakawa, like most Japanese companies, prides itself on quality. Elevators in Japan rarely jiggle or creak.

But now, companies in other parts of Asia are learning to produce rails that are nearly as good but are priced 30 to 40 percent lower, prompting Japan's elevator manufacturers to start buying foreign-made rails.

Toshio Sakawa, executive director of the company, fears it might not be around in 5 to 10 years.

Miles away, and several rungs up the industrial-sophistication ladder, is a highly automated Citizen Watch plant. A small corps of technicians works beside armies of miniature robots piecing together 800,000 intricate quartz movements each day.

At Citizen, there are fewer worries about foreign competition. The final assembly — putting on the watch faces and wristbands — is migrating to Hong Kong and other nations. Still, the company has no intention of making its high-tech quartz movements outside Japan because specialized skills, not cheap labor, are more crucial in this kind of work.

Citizen and Sakawa show the two sides of the structural shift in the Japanese economy that is unfolding despite the cyclical recovery.

The main force behind the shift is the relentless strengthening of the yen, which has appreciated another 25 percent in the last two years. The dollar hit an all-time low in Tokyo on Friday, when it dropped briefly to 96.55 yen. In the mid-1980s, the dollar was worth 250 yen.

The strong yen plus high wages, an inefficient domestic distribution system and excessive regulations have made Japan less hospitable for manufacturing.

"The production cost in Japan has become the highest in the world," laments Haruo Tsuji, president of the Sharp Corp., the calculators-to-copiers maker of electronic goods.

Already, the steep costs at

home are forcing automobile and electronics companies, arguably Japan's two strongest industries, to transplant their manufacturing to lower-cost nations.

The shift offshore of manufacturing and the pressure on domestic prices from lower-priced imports means that Japan, which once roared back from recessions, will not recover so quickly this time. Economists think in the future Japan will grow only 2 percent to 4 percent a year, well below its historic rates.

Yet as the case of Citizen shows, there is a core of prod-

To say that Japan's competitive edge has been blunted is not to say that it is gone. History has shown underestimating Japan as an economic rival is short-sighted.

ucts, requiring specialized technology and skill, that can still earn their way in Japan's high-cost environment. And the Citizen formula is likely to be a model for Japan in the future.

namely, the finished product might be assembled abroad, but the high-tech component will still be made in Japan.

Indeed, for all its fame as a producer of videocassette recorders, cars and cameras, such finished products account for a declining part of Japan's exports. Instead, Japan is becoming a supplier of components and production machinery, like robots, to be used by other nations to assemble the final products — a trend that has helped keep Japan's trade surplus high.

There are three other changes creating what might be called Japan's new terms of trade:

• Japan is relying more for growth on booming Asia and less on the mature markets of the United States and Europe.

• It is moving from manufacturing toward services and information-based industries.

• It will fuel growth by consuming more at home instead of exporting its products.

How successful Japan is in making these changes will, to a large extent, determine its future prosperity.

"At the turn of the century, we may look back on the early 1990s as a very difficult time, but a time of transition," said Kenneth S. Couris, senior economist for Deutsche Bank in Tokyo. But if Japan fails to make adjustments, he said, the nation may see "some of its greatest industries being compromised or even destroyed."

The transition ahead will not be easy and some Japanese businessmen are warning their countrymen of the consequences.

"We are now making a big fuss over 3 percent," said Katsunaka Maeda, president of the synthetic fiber giant Toray, referring to the current unemployment rate, which is high by Japanese standards. "We have to be prepared when the unemployment rate goes to 10 percent."

Still, to say that Japan's competitive edge has been blunted is not to say that it is gone. History has shown that underestimating Japan as an economic rival is short-sighted.

The perception that Japan is in decline is magnified by the fact that the nation has been suffering at the same time from both a cyclical recession and long-term structural change. Moreover, the cyclical downturn was particularly sharp because the fall was from a high peak.

The loss of profits and sales from the cyclical downturn, however, does not necessarily signify a loss of long-term competitiveness — an attribute that is based more on variables like work force skills, savings habits, government policies and technological skills.

Indeed, the cyclical slump has provided the incentive for Japanese companies to cut costs, which should help them adjust to the structural changes in the long run.

Having companies trim their work forces or shift manufacturing abroad might not be good for employment in Japan. But from the point of view of an American company, it is probably tougher to compete against a Sony that makes its products in low-cost Malaysia than in high-cost Japan.

These federally sponsored lenders were large issuers of so-called structured debt — highly leveraged exotic issues, which provided low-cost funding.

But with that market drying up after the large losses suffered this year by holders of such paper, the borrowers are now looking for a new source of cheap funding, bankers said.

Export-Import Bank
Weighs Beijing Office

Agence France-Press

BEIJING — The U.S. Export-Import Bank chairman, Kenneth Brody, said he was considering Beijing as the site for the bank's first representative office outside the United States.

Mr. Brody discussed the proposal with Vice Prime Minister Zou Jiahua, who emphasized China's desire to work with the bank on infrastructure projects.

Euromarts
At a Glance

Eurobond Yields

	Oct. 21	Oct. 24	Yield	Yield
U.S. 1-year term	8.27	8.29	6.71	6.71
U.S. 3-month term	7.76	7.71	7.76	6.45
U.S. 6-month term	7.74	7.77	7.74	6.46
French 3-month	7.29	7.29	6.41	6.29
French 6-month	8.14	8.08	8.24	5.87
Hollan 3-month	11.14	11.27	11.26	7.91
Spanish 3-month	8.55	8.71	8.74	6.29
Swedish 3-month	10.74	10.72	11.23	7.04
ECU 3-month term	8.29	8.26	8.24	6.18
U.S. 12.5	8.01	7.98	8.41	5.99
Gen. 5	9.95	9.95	10.80	6.39
U.S. 11.5	8.01	7.98	8.41	5.99
Yen	6.82	6.82	6.84	2.87

Source: Luxembourg Stock Exchange.

Weekly Sales

	Oct. 20	Oct. 23	Oct. 26	Oct. 29
Stocks	83.61	85.33	95.63	101.70
Convert.	—	—	6.50	1.80
PRNs	25.40	25.40	25.40	25.40
ECU	4,091.70	4,144.80	12,446.00	7,469.10
Total	7,130.30	4,449.90	12,991.20	8,255.90

Source: Euroclear, Cedit.

Labor Rates

	1-month	3-month	6-month	1-year
U.S. 1	5.16	5.16	5.16	5.16
Deutsche mark	5.16	5.16	5.16	5.16
French franc	5.16	5.16	5.16	5.16
ECU	5.16	5.16	5.16	5.16
Yen	2.16	2.16	2.16	2.16

Source: Lloyds Bank, Reuters.

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Consolidated trading for week ended Friday, Oct. 21.	Stocks	Div	Yld	Sales			Chg
				100s	High	Low	
(Continued)	Groves Growth	.60	2.5	629	25 1/4	22 1/4	—
				263	15 1/4	11 1/4	2 1/2

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Continued on Page 14

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Tel.: (33 1) 46 37 93 36
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or representative

All figures are as of close of trading Friday

Stock Indexes				Money Rates	
United States	Oct. 21	Oct. 14	Change	United States	
DJ Indus.	3,091.20	3,916.67	-0.4%	Discount rate	
DJ Ind. 30	189.82	189.81	-1.6%	Time rate	
DJ Trans.	1,500.67	1,494.48	+0.2%	Federal funds rate	
S&P 100	408.92	414.4	-0.8%	Japan	
S&P 500	564.89	568.18	-0.5%	Discount	
S&P 500	539.82	555.86	-0.7%	Call money	
NYSE Co	255.59	257.99	-0.5%	3-month interbank	
Britain				3-month interbank	
FTSE 100	3,032.80	3,166.70	-2.3%	Lombard	
FTSE 30	2,333.90	2,371.20	-2.4%	Call money	
Japan				3-month interbank	
Nikkei 225	19,829.00	19,940.20	-0.5%	Bank rate	
Germany				Base rate	
DAX	2,022.00	2,105.70	-3.7%	Call money	
Hong Kong				3-month interbank	
HSE 50	9,308.59	9,539.93	-2.2%	Call money	
Hong Kong				Gold	
Hang Seng	9,308.59	9,539.93	-2.2%	London m.p. fixd 3	
ASX	637.30	643.20	+0.4%		

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Source: \pm VIVA Surveys '92 / '93. * Reader Survey '94

World Travel

DUTY-FREE SALES PROSPECTS BRIGHT

This \$17 billion business has doubled since 1986.

Growth is anticipated in the world travel shopping sector due to a steady increase in international travel and an ongoing economic recovery in many countries.

"Travelers are not yet buying duty free like they did in the 1980s, but they are beginning to spend more, and there are more of them," explains Yngve Bia, president of Generation Publications, the most authoritative statistical monitor of the trade. "This should translate into a 6 percent to 8 percent increase in duty-free sales in 1994."

Prospects for duty free, in fact, look brighter than in many domestic markets. "The expansion in duty free has been very good despite the recession," says Patrick Bousquet-Chavanne, senior vice president of Estée Lauder's travel retailing division. "We expect the next three years to be better than the last three."

10th exhibition

The continued growth is one of many topics being discussed at the 10th annual Tax Free World Exhibition (TFWE) in Cannes this week. The annual trade show brings together over 5,000 buyers, agents, operators, distributors and other representatives from some 140 countries. The event has also grown, now commanding twice as much space in the sprawling seaside Palais des Festivals as it did in 1985. More than 500 luxury goods companies are exhibiting.

The majority of participants at the TFWE are, not surprisingly, European. Europe still represents over 50 percent of worldwide duty-free sales, French companies are responsible for generating half of all duty-free revenue, and Britain sells more duty free than any other country in the world.

Aggressive expansion

BAA, the airport authority that runs numerous British airports (38.3 percent of duty-free sales are in airports, and sales grew 7.3 percent in 1993), is continuing its aggressive expansion program and developing downtown-like shopping malls attached to runways at Heathrow and other airports. BAA's specialist retail stores include names like Austin Reed, Harrods, Thomas Pink, Mappin and Webb, and Hamleys Toys. Within Harrods are "rooms of luxury" featuring Dunhill, Gucci, Yves Saint Laurent, Cartier, Gucci, Christian Dior and other designer brands.

In addition, the now-familiar "Tax Free For Tourists" program, which beckons non-EU residents to reclaim value-added taxes if they spend over a certain amount in European downtown markets, is omnipresent. And rare is the international or charter airline (8.8 percent of duty-free sales are on airlines) that has failed to exploit duty free.



SHOPPING

Asia-Pacific boom

Global growth, however, is most notable in Asia and Oceania, where duty-free sales leapt 12.5 percent last year, primarily due to the emerging market in China. Honolulu, where passengers spend an average of \$100 each, compared with just over \$19 at Heathrow, is still the world's number-one duty-free location, with sales of over \$400 million in 1993. (Heathrow is close on its heels, with \$395 million, followed by Hong Kong, Paris and Amsterdam. Today, the world's 50 most important duty-free shop operators account for almost 60 percent of global sales.)

Sophisticated Middle East duty-free shops in Abu Dhabi, Bahrain and Dubai, where business is up 11 percent this year, continue to offer the best prices in the world's duty-free emporia.

East European prospects

Duty free in Eastern Europe is also opening up, but at a much slower pace than had been anticipated. "There is a great deal of pent-up demand and a desire to purchase inter-

nationally known products throughout Russia and other former Communist countries," explains David Hope of Aer Rianta International, which operates outlets in Russia and other East European countries. "The economic transition to a free market is difficult, but the long-term future is optimistic."

Purchasing patterns

Purchasing habits are also changing. The Japanese, the big buyers of tax-free luxury products in the 1970s and 1980s, are spending less, with younger consumers purchasing lipstick instead of porcelain-packaged cognac. Lower prices on the Japanese market, discount stores and the domestic economic depression have also tempered Japanese purchasing.

"Duty free still means exclusive gifts, but the presentations have become a little more reasonable because the Japanese are buying fewer porcelain and crystal containers," explains Joël Lafin, director of duty free at Rémy Martin Cognac. "The best clients at the moment appear to be the Arabs, Russians and Chinese."

Joel Stratte-McClure

TFWE TO REMAIN CANNES INSTITUTION

This year offers a new, improved exhibition.

The Tax Free World Exhibition (TFWE), which gets under way this morning with a conference featuring U.S. consumer guru Faith Popcorn, is second only to the Cannes Film Festival as a revenue earner for this Mediterranean seaside city.

The event is so popular that a luxury cruise liner is in the bay to house delegates this year. In the meantime, the city is celebrating the TFWE's 10th anniversary with music, dancing, fireworks and its typical panache, including a complimentary drink offered to all delegates.

Cannes has hosted the TFWE for nine of the past 10 years and recently managed, despite serious competition from Barcelona, to maintain its lock on the event for at least the next three years.

New improvements

TFWE executives decided to keep the event in Cannes after the city agreed to extend exhibition space in the Palais des Festivals (at a cost of over \$25 million), control exhibition prices, work with hotels and restaurants to improve the quality/price ratio, develop new hotel projects, redevelop the port to allow docking of large cruise ships and resolve a number of logistical problems.

"There is a synergy between the glamorous image of Cannes and the prestigious image of TFWE," says TFWE's president, Jacky Paquet. "We are delighted the city has given its wholehearted commitment to addressing the issue."

Continued cooperation

The city, noting the financial importance of the event, is obviously pleased that the TFWE chose to stay despite exhibitors' concerns over whether Cannes could meet increased demand for exhibition space and hotel accommodation.

"The TFWE, which is the biggest luxury product show in the world, has been faithful to Cannes and is tremendously important to our economy and image," explains Dario dell'Antonia, director of tourism for Cannes. "We naturally listened to their requirements and are doing our best to meet their needs."

This year's exhibition will be proof of that continued understanding.

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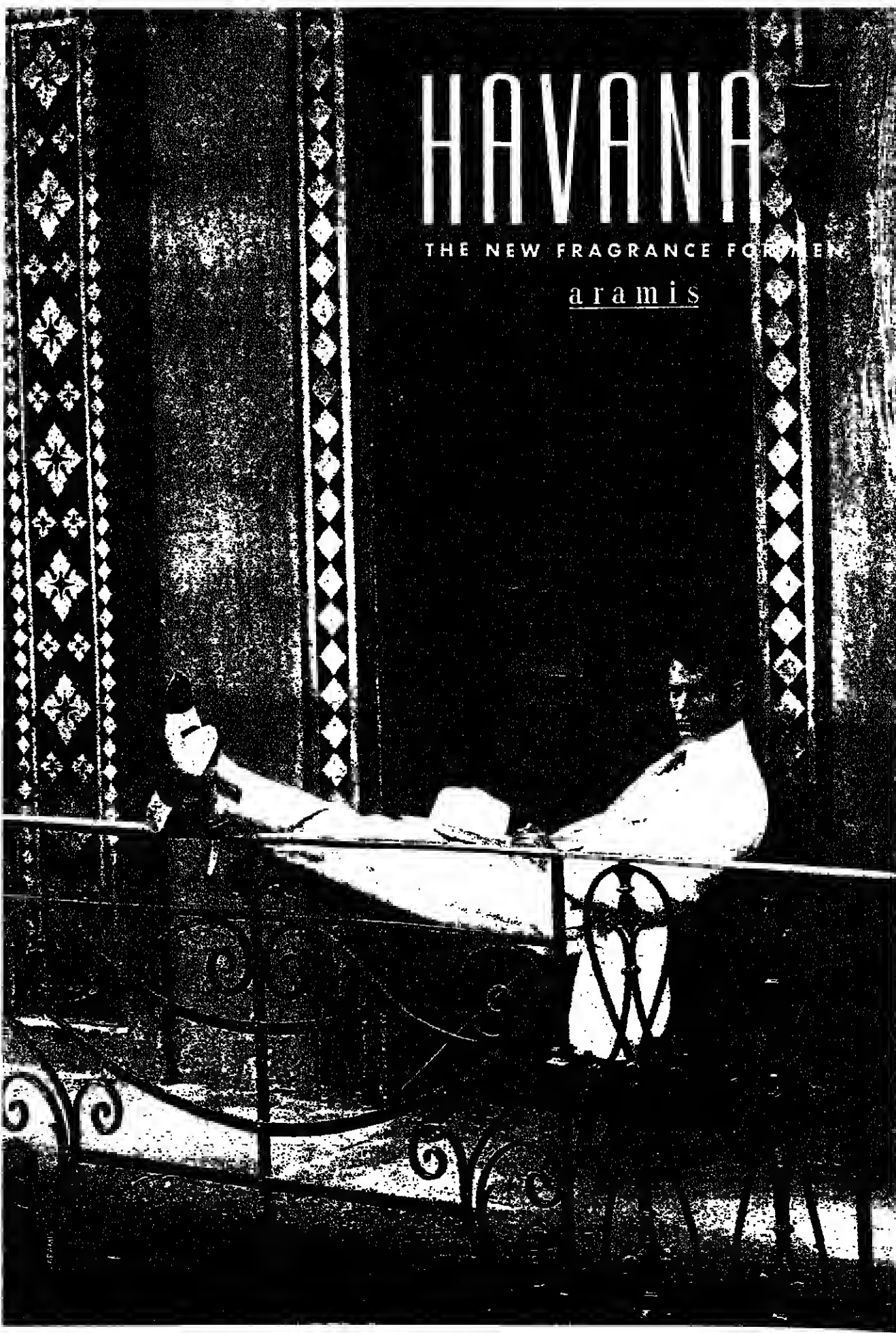
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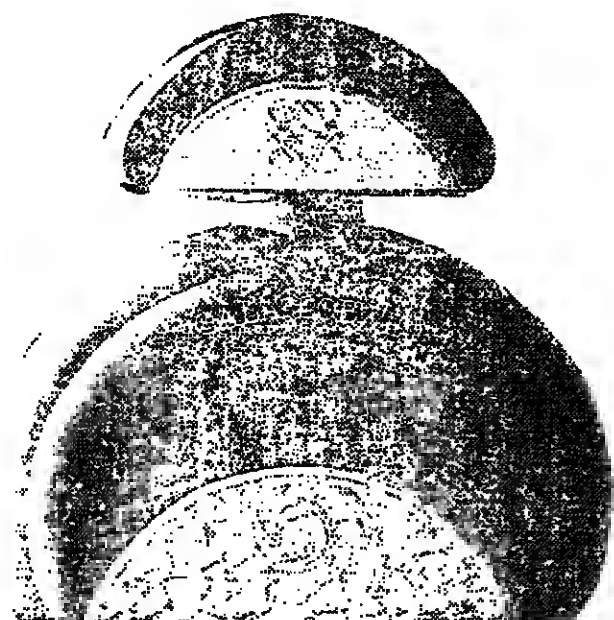
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WORLD TRAVEL SHOPPING



TFWE: NEW EXHIBITORS AS WELL AS COMEBACKS

For exhibitors, nothing succeeds like exposure at this key event.

The success of the Tax Free World Exhibition can be judged by the 80-some new companies that request space each year. Even if floor space were available, however, not all of them would be accommodated. Explains Sara Branquinho of the TFWE: "Our criteria are very strict. Our exhibitors must have a large distribution in duty free. If they don't, they aren't eligible. After that, we decide on the basis of space availability."

This year there are 19 new exhibitors, replacing 19 companies that—because of acquisition or individual circumstance—have chosen not to return. Seven of the newcomers can be classified in the fragrances and cosmetics category, three in fashion, three in confectionery, three in jewelry, two in liquor—and one produces model airplanes. Their headquarters are as close as nearby Monaco (Misslyn cosmetics) or as far away as Australia (Jakk Opals jewelry).

Coming back for more

Not all these newcomers are completely new to Cannes. Four are companies that were formerly incorporated in other stands and have chosen to stand alone this year. They are Maxim's de Paris, purveyors of gourmet food; Oly's Cosmetics; fashions by Francesco Smalto; and Etienne Aigner

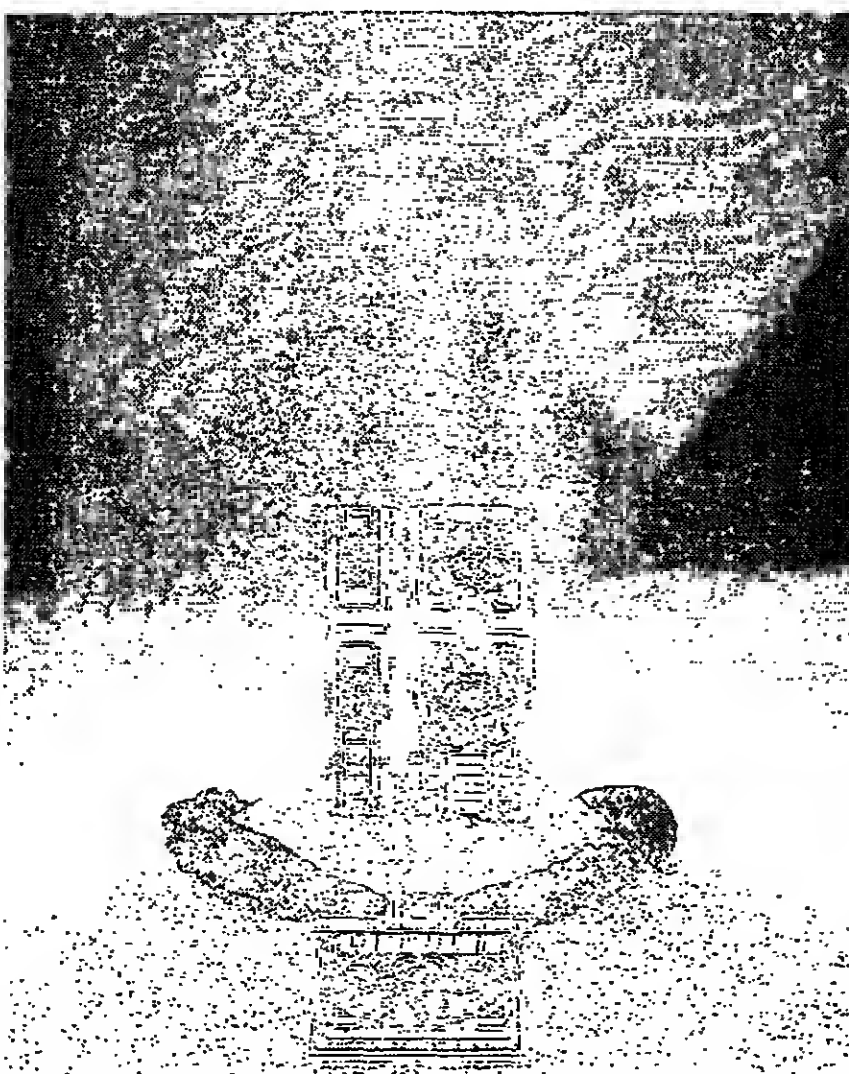
Cosmetics. Two other companies chose not to exhibit last year, but have returned. They are Berentzen, a distillery, and Michaela Frey, makers of fine enameled jewelry.

Why do they come to Cannes? One of the first-timers, Misslyn, has been waiting five years for the opportunity. According to Maurizio Ricciardi of the cosmetics firm, "It is very prestigious for the upscale market that interests us. Plus, it is very selective in terms of participants and visitors."

Just off the boat

Philippe Nicolas, export sales manager for Neuhaus chocolates, notes that his company was unofficially present in Cannes last year (with a boat to host delegates to the exhibition) and signed two major contracts. He says, "It is very important for us to be officially exhibiting in order to be recognized as a major new duty-free confectionery supplier."

Another confectioner, ASTO International, is relatively new to duty free but has created a separate structure and specific packaging for this market. "We view it as critical to be present at TFWE so that operators and agents are aware of our interest in developing our involvement in duty free," says Paul Ridgway, managing director of ASTO. Passing from food to fashion, the ra-



Michaela Frey, makers of fine enameled jewelry, is back again at the show, which has strict criteria for exhibitors.

tionale remains unchanged. Marc-Chamond makes fine belts for fashion giants such as Dior, Givenchy and Lan- cel, and also commercializes belts under its own trademark, Renoma. "For the past seven years, Renoma has represented the bulk of our company's sales in duty free," explains Patrick Poncelet. "So this year we decided to have a stand of our own."

European showcase

Cognac Landy sells cognac with a difference: inside each decanter there is a handcrafted glass sculpture. Its goods having been well-received in Asian

markets, and the company has included European duty free in its expansion program this year, reports Landy's Vegar Bruyildsen. He sees TFWE as the best way to become known in Europe.

Loewe's leather goods from Spain already have a deserved reputation worldwide. Perfumes Loewe will display its range of six fragrances in a stand separate from its leather goods to highlight the former for TFWE's pre-arranged visitors.

The best way to judge the success of TFWE is to ask a returning exhibitor. To make Lego was a newcomer in 1993 and is back with a larger booth this year. Why? Explains Ole Withus of Lego: "We had planned for 30 meetings in Cannes and wound up holding 106 meetings. Between 1992 and 1994, we tripled our in-flight sales."

Claudia Flisi



THE CURRENT FAVORITES IN DUTY-FREE PURCHASES

Luxury goods and brand names are showing increasing prominence.

The Tax Free World Exhibition naturally mirrors product trends in the worldwide duty-free and tax-free business. Exhibits here this week illustrate that wine and spirits still represent 28 percent of duty-free sales, followed by perfumes and cosmetics (24.4 percent), and tobacco goods (13.5 percent).

The exhibits also exemplify, surprisingly, that only six product categories—cigarettes, women's fragrances, Scotch whisky, women's cosmetics and toiletries, cognac, and men's fragrances and toiletries—account for over 50 percent of all goods sold in duty and tax free. Professionals conclude that some sectors are set for faster growth than others. "Alcohol and tobacco have certain problems that are directly reflected in a decline in sales and reduced space allocation in the stores," says Yngve Bia, president of Generation Publications. "Luxury goods, including perfume and cosmetics, continue to get more shelf space in increasingly more attractive stores."

Upscale gift categories

Purchases of luxury goods have been fueled by a penchant for acquiring unique gifts while traveling, which is why many suppliers and retailers now produce exclusive tax-free products. One hot-selling item in the 1990s is boxed perfume sets containing small bottles of well-known fragrances.

The booming miscellaneous category (34.1 percent, or \$5.8 billion, of all sales in 1993) is also continuing to grow. Almost every traveler has witnessed the phenomenal explosion and

exposure of accessories—from leather goods to watches and jewelry—in every tax-free outlet.

Duty-free shops are constantly refurbished to tempt the shopper. The store at Frankfurt airport, remodeled just over a year ago, is organized around 26 alcoves, or mini-boutiques, featuring brand names like Swatch, Dunhill, Davidoff and Porsche Design.

Increased specialization

Indeed, shops of all types keep coming to duty free. Examples are a women's lingerie shop and a Montblanc boutique in Paris, Reebok and Levi's tax-free stores in Moscow, and Swatch boutiques in Rome and at numerous other airports. Some airports, like Amsterdam's Schiphol, offer "Bargains of the Month," while others tout incentives like "Buy Five, Get One Free."

"There are many innovations because the market is so competitive and customers require and expect greater choice in tax free," observes Patrick Bousquet-Chavanne, senior vice president of Estée Lauder's travel retailing division. "The consumer is definitely dictating the pace of change."

The customer, of course, has also changed, and many travelers are much more price-conscious than they were a decade ago. Real travel enthusiasts collect price catalogues from different airports and check prices of particularly expensive items, like watches, to find the best buy. Or they keep an eye on what airline crew members, who usually know the best prices, purchase at particular airports. J.S.M.

SOME CROSS-PURPOSES IN THE CHUNNEL

Eurotunnel, operator of Channel Tunnel's Le Shuttle, has opened duty-and tax-free shops at both the Folkestone and Calais rail terminals in time for Le Shuttle's planned start-up for the general public in mid-November.

Eurotunnel has introduced duty free with some ambivalence, for it has been a vociferous opponent of the European Union's extension of duty free until 1999, arguing in the British courts that the cross-Channel ferry companies use their large duty-free sales to subsidize cheap fares, particularly for day trips. Nevertheless, it has been obliged to offer duty free as part of its commercial war with the ferries.

Irish expertise

The shops will be operated by Aer Rianta, the Dublin airport authority, which has opened many outlets in Eastern Europe, notably in Moscow, St. Petersburg, Kiev, Warsaw and Budapest, as well as others in Kuwait, Bahrain and Karachi.

The shops at the Channel Tunnel terminals will be the Irish company's first in Western Europe outside of Dublin, Shannon and Cork airports. Another irony is that Aer Rianta is a prominent voice in the duty-free lobby that fought for the extension of the concessions and which will be opposing the attempt by Eurotunnel to rescind the 1999 extension granted by the European Union for intra-Union travelers.

Duty-free victory

This extension was a major victory for the duty-free operators, as they had feared an end to the system with the advent of the single market.

"We have agreed to differ with Eurotunnel," says Aer Rianta's spokesman Flan Clune. "We are very happy to have won this prestigious contract and to have shops which will sell an international range of goods as well as Irish products."

The shops will combine duty-free (i.e., no excise taxes) sales of liquor and cigarettes with VAT-free sales of perfumes, cameras, clothes and gifts. Aer Rianta will extend the range in line with demand. "This is a new market, and we will have to see how it develops. In any event, we intend to adopt a high profile," adds Mr. Clune.

Not quite drive-in

Both Eurotunnel and Aer Rianta ac-



Channel Tunnel operators are hoping that passengers will break their journeys to shop.

knowledge that the imponderable factor is whether car drivers, who will choose the shuttle for speed, will be prepared to break their journey in order to go shopping.

Christopher Garnett, Eurotunnel's commercial director, thinks they will. "We expect passengers will park their cars, eat, shop and then catch the next shuttle," he says. "There will be a shuttle train every quarter of an hour." Truck drivers and shareholders, who have been using the shuttle during the so-called "overture" period, have been the first to use the shops.

Mr. Garnett insists that the shops' opening will not lessen the determination of Eurotunnel to fight in the courts, although he expects the duty-free lobby to fight just as hard "to defend their gravy train."

The EU question

In July, Eurotunnel took action against the British government and obtained leave in the High Court in London to seek judicial review of intra-Union duty-free sales. It hopes for a full hear-

ing soon on whether certain cases relating to European law should be referred to the European Court in Luxembourg.

The Eurotunnel argument is that the continuation of duty-free purchases in intra-Union travel has been unlawful within the single market after Dec. 31, 1992, and led to abuses by the ferry companies that should be stopped.

In taking the case to court, Eurotunnel is honoring its pledge to shareholders "to correct the adverse financial effects for Eurotunnel of the continuation of the duty-free concession."

Sales vs. subsidies

Eurotunnel cochairmen Patrick Ponsolle and Sir Alastair Morton said in a statement at the time of the July court hearing: "This is a straight subsidy from taxpayers to certain travelers and operators which is applied in a manner that has often become an abuse and which provides ferries and short-haul airlines with a discriminatory advantage against their new competition in cross-Channel traffic."

Alan Tiller

DUBAI DUTY FREE'S

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(Series # 332 - Ticket # 0982)
UAE: national from Umm Al
Quwain, winner
of a blue Ferrari 348 Spider.

333rd Winner
SAMBASTAM SWAMINATHAN
(Series # 333 - Ticket # 0899)
Indian, from Madras, India,
winner of a silver
Mercedes Benz SL 500.

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WORLD TRAVEL SHOPPING

THE GULF'S LUCRATIVE MIDNIGHT HOUR

Abu Dhabi, Dubai and Bahrain continue to draw millions of dollars in sales — especially during night stopovers.

While half the world is sleeping, the other half is shopping — or so it seems at the tax-free shops at the major Gulf airports during the dead of night. Between 10:30 P.M. and 2 A.M. is peak shopping time for the thousands of transit passengers at the airports in Abu Dhabi, Bahrain and Dubai. With an average stopover of less than 45 minutes, passengers have little time to browse and buy, which explains the frenetic activity as travelers from many nations jostle together at the cash registers.

Today's travelers through the Gulf are spending more than ever before. Sales at the three leading tax-free shops in the Gulf — Abu Dhabi, Bahrain and Dubai — are expected to rise by 13 percent by the end of this year. Last year, combined sales reached an all-time high of \$212 million, with Dubai well out in front with \$132 million.

Double-digit growth

This year, according to Colin McLoughlin, general manager of Dubai Duty Free (DDF), total sales are expected to top \$140 million. At Abu Dhabi, Mohammed Mounib, general manager of Abu Dhabi Duty Free (ADD), says revenue for the first half of this year rose by 20 percent to \$28.1 million, compared with the same period in 1993. John Sutcliffe, general manager of Bahrain Duty Free, says that sales so far this year are already up 23 percent over 1993. He adds: "The shops continue to break daily and monthly records, and the projected sales total for 1994 is \$35 million — an increase of 48.6 percent in just two years."

For the sixth year running, the readers of Business Traveller magazine have voted Dubai Duty Free the world's second-best airport duty-free shop, behind Amsterdam's Schiphol.

With some seven international airports in the United Arab Emirates alone, com-

petition between the two principal airports, Abu Dhabi and Dubai, is intense — although the two general managers will publicly admit to only a kind of friendly rivalry. The entry of the new operation at Bahrain two years ago has introduced another player to the tax-free shopping scene.

Value at Dubai

Dubai, which recently celebrated its 10th anniversary, was the original trailblazer in the Gulf, concentrating on a huge variety of goods at what Mr. McLoughlin describes as "value for money" prices. Today, the Dubai operation has become a much wider enterprise. Dubai Inc. "One of our aims has been to put Dubai more prominently on the world map, not only as a pleasant place to shop in the duty-free complex, but also as a place to do business, a tourist destination and as the sporting capital of the Gulf," Mr. McLoughlin says.

He adds that profits are not on the priority list when it comes to offering a service to the 6 million passengers passing through the airport each year. Says Mohi-Din Binhend, director-general of the Dubai Department of Civil Aviation: "Since the beginning, DDF's commitment has been to opening the door to international business by providing an exceptional service and product range at the most competitive prices. We believe we have succeeded, and we now provide a link between 100 worldwide destinations and serve 62 airlines."

A heavy emphasis on sponsoring a full range of sporting events is part of an overall strategy to promote Dubai. Involvement in world-class sports, from professional golf and tennis tournaments to snooker and offshore powerboat racing, has certainly stimulated global attention. Mr. McLoughlin says that some of these events attract worldwide television audiences of more than 200 million viewers.

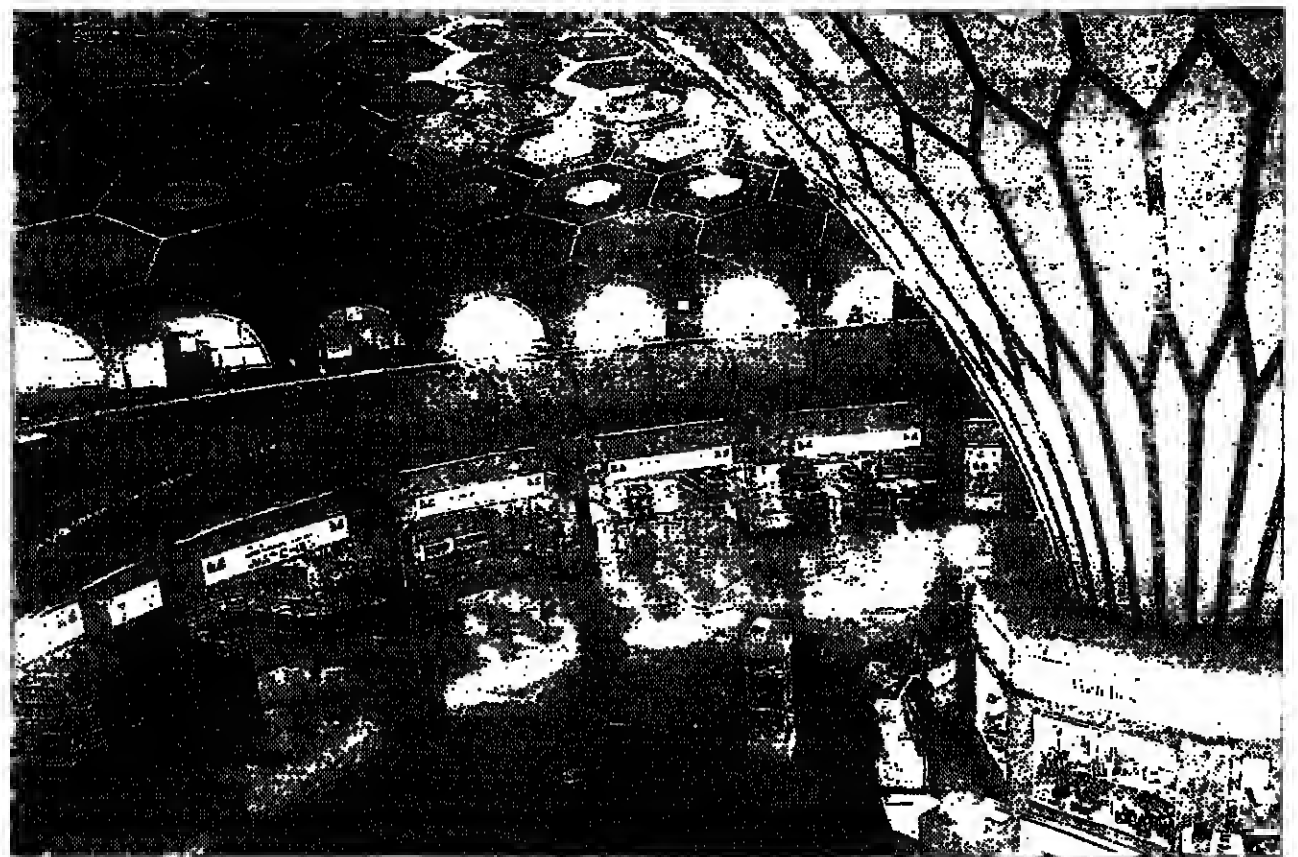
Redone Abu Dhabi

Abu Dhabi has gone in for only limited sports sponsorship. The main thrust is on developing the shopping complex, which has just gone through a major refurbishment, making it one of the most attractive tax-free shops around. It stocks some of the most up-to-date items in electronics and electrical goods as well as a huge selection of video and film cameras. Its prices are extremely competitive, making it a "must" stop for the discerning tax-free shopper seeking real value for money in a relaxing and comfortable environment. The multilingual staff offers true service with a smile, whether it is the middle of the day or night.

Major changes this year have included a new per-

"Some items on display may seem incongruous to the casual observer, but make sense to the international traveler," says Mr. Mounib. "For instance: leather and knitwear, ideal for customers flying from the Middle East to a cold European winter climate." Another example of customers' special needs being accommodated is the availability of tobacco, beverages, video recorders and cameras that meet the requirements of those from the countries of the former Soviet Union.

This year saw the opening of Abu Dhabi's second international airport at Al Ain, served by five international airlines. ADD management operates the shop. "As in Abu Dhabi, we expect gold jewelry and electronics



Abu Dhabi's shopping complex (top) has been completely refurbished and offers the most up-to-date electronic and electrical equipment at extremely competitive prices. Dubai Duty Free (above) saw revenues increase by 20 percent during the first half of this year.

fume and cosmetic shop, now one of the largest in the Gulf. The old circle "island" shop, one of the central features of the terminal building, has been replaced with four island boutiques displaying leading brand names in jewelry and watches. With more than 55,000 items on display, ADDF aims to cater to the special needs of its traveling customers as part of its "value for money" approach.

to be the top-selling products," says Mr. Mounib.

Browsing in Bahrain

There have been extensive changes in Bahrain's duty-free shopping complex, which now covers more than 1,800 square meters.

It was officially opened last September by Bahrain's Prime Minister Sheikh Khalifa bin Sulman al-Khalifa. "I now believe we have one of the finest shopping

facilities in the region and one of the very best in the world," says Mr. Sutcliffe, the general manager.

The new design and layout of the shopping complex in the recently expanded international airport encourages customers to "walk the shops" and see the entire 35,000-item product range.

More than 3 million passengers pass through the airport, and its tax-free shops have a distinctive local fla-

vor that has proved popular with many visitors. "The Bahraini corner is popular for souvenir snapshots," says Mr. Sutcliffe.

Here a wide choice of locally made products, from confectionery to brassware and textiles, are on display. He has also introduced listening posts with headphones for those who want to listen to any of the 5,000 CDs or tapes stocked.

Michael Frenchman

SHOPPING IN STYLE IN AMMAN MALL

Airport duty-free shops have been consolidated.

The most striking display at the newly arranged duty-free complex at Queen Alia International Airport, Amman, Jordan is the eye-catching Cartier island shop, which has a wide selection of Cartier products, from the famous watches and pens to leather and fashion goods.

The Mall, "Where you can shop in style," as the slogan declares, is often overlooked as tax-free shopping point. This is partly because few of the 1.5 million passengers using the airport are in transit.

"Although we expect a slight increase by the end of the year, the bulk of our passengers are arrivals and departures," says Taleb Izmigna, the energetic executive vice president in charge of duty-free sales in The Mall and on board Royal Jordanian, the national airline. Sales last year totaled \$14 million, of which some \$3 million to \$4 million were Royal Jordanian in-flight sales. Mr. Izmigna expects a slight overall increase in revenue of between 5 percent and 10 percent by the end of this December.

The whole airport is undergoing substantial improvements, and the previous two duty-free shops serving Number One and Number Two terminals have been amalgamated into one shopping complex located on the bridge connecting the two terminals. Mr. Izmigna hopes to offer a 24-hour service in the near future.

Major improvements this year included an enlarged fashion area. Emphasis is on obtaining the latest products, which come direct from suppliers and manufacturers. "We try to use our resources and skills to make sure that we keep absolutely up-to-date with customers' demands and changing fashions," says Mr. Izmigna, adding that The Mall has to operate on strictly commercial lines, unlike some Middle East operations. M.F.

THE TRUFFLE-DUST FACTOR: PACKAGING DUTY-FREE GOODS

Beautiful. Practical. Portable. Duty-free packaging must be all three.

Product packaging, important in any sales environment, faces special challenges in the duty-free arena. The most critical elements in duty free — for both sellers and buyers — are space, weight and product protection. There is simply less space in most airport shops than in comparable "downtown" stores. This space problem is compounded for in-flight sales, where space considerations are paramount.

No cellophane, please

When Lego, maker of colorful building blocks for children, began an in-flight sales program, it decided to create a special collection with its own packaging. Explains Lego's Ole Withus: "We knew we had to minimize box size because of space limitations." Each box is specially coated to reduce damage when the boxes are taken on and off in-flight trolleys. Cellophane was considered and rejected, notes Mr. Withus, "because it tears too easily."

Weight is also a significant factor in duty-free sales. A customer might be attracted by a mugshot of champagne, but an elegant box of liquor-filled chocolates is easier to carry. So liquor companies, representing the largest category of sales in duty free, do what they can to ease the burden for their customers.

According to Luca Maullini, regional director for Cinzano, one of the most common packages for spirits is "the gift pack in cardboard with a handle. It is easy to carry, offers protection for the contents and may be sized to meet import requirements." He adds that wooden cases made of ultra-light wood are also popular. Premium brands have the highest markup and therefore can afford the fanciest packaging. The most extravagant liquor decanters are targeted at the Japanese market, where a gift-giving tradition encourages the purchase of such items.

Lightness of bearing

A 50-centiliter plastic flask, such as those sold in-flight, is not an impressive-looking gift, but it is light and practical for one's personal use. It can also be slipped into a carry-on bag or attaché case without risk of breakage.

Packaging should not only be easy to carry, but should also protect the product inside. This is evident in the case of cigars. Premium cigars should be kept in an environment with 70 percent to 72 percent humidity; otherwise, explains Dominique Cron, product manager for Davidoff, the cigars will become too dry and break apart. His company looks for either a humidified

room or a showcase with the proper humidity and a temperature of 18 to 20 degrees Celsius. Not all airports offer the appropriate facilities, so each cigar sold in duty free is additionally wrapped in cellophane. Mr. Cron adds, "Aesthetically it is more pleasing to open a box of cigars without such wrappings, but we have to protect our products."

Chocolate bloom

Similarly, premium chocolates such as Godiva and Neuhaus should be kept in refrigerated cases. Pio Stevens, export manager for Godiva, notes that variations in temperature have an impact on chocolates. First they "bloom" and turn gray; ultimately, the taste will be affected. Even with refrigeration, shelf life is only about eight weeks.

Premium chocolates therefore favor distribution of their prepackaged balloons in refrigerated showcases. They are also beginning to sell in bulk, which requires both refrigeration and a sales clerk. "It's important," says Mr. Stevens, "because it enables the customer to select either a regular balloon or a more elaborate container. And of course he will have made his own selection, so it is more exclusive."

Truffles that travel

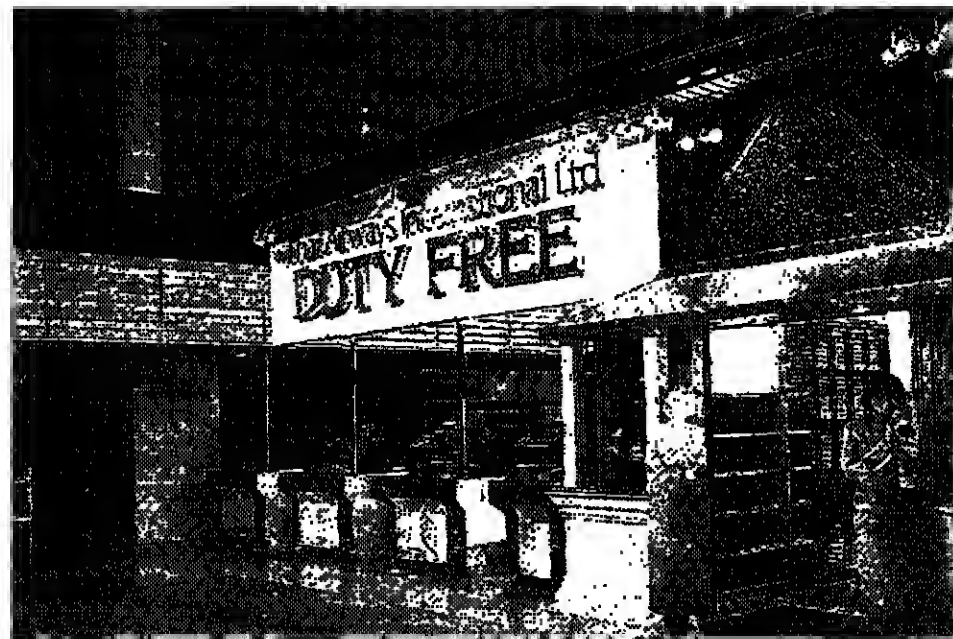
Regardless of temperature, until recently, Godiva's Belgian truffles could not travel. They are dusted with cocoa powder, which winds up all over the box. But the company has devised a special packaging that prevents this from happening, and truffles can now be found in duty free.

Beyond the primary considerations of space, weight and protection, duty-free product packaging has to pay attention to the psychology and context of the duty-free transaction.

Thom Rankin of Duty Free Electronics describes the motivation behind the in-flight purchase: "It may be that the person in the next seat is buying. Or the customer realizes that he/she forgot something. Or to use up spare change in a foreign currency. Or the appeal of a novelty item as it goes by on the trolley. And of course the need to make a gift — professionally or personally."

Revealing outerwear

Mr. Rankin emphasizes that the outer package should reveal the inner contents. If possible, the product should be visible, especially for in-flight sales: a product visible on the airline trolley as it goes down the aisle is another way to attract a customer. Perfumers' Workshop holds the same view and has developed packages exclusively for in-flight sales. C.F.



Research shows that some 70 percent of purchasers bought duty-free items out of boredom.

IN ASIA, THE NAME'S THE THING

Luxury brands are the main drawing card in the Asian market.

Duty-free shops in Asia's airports, on airlines and cruise ships are seeing a changing pattern in passenger purchases and the type of goods they purchase. "The big buyers were the Japanese and Taiwanese," explains United Airlines' Hong Kong-based executive David Solloway. "The Taiwanese going into China are always loaded down with duty-free goods."

Other Asians now traveling across the region, however, are not such dedicated shoppers and are more ready to compare prices. "People here compare prices between duty free and the home market, and don't see that much difference," says Alan Wong, chairman of the International Cruise Council and managing director of Swire Travel in Hong Kong.

In Hong Kong, where most goods are not taxed, only cigarettes and liquor are sold duty-free at the airport. Other airport shops have to compete with shops in the city.

Designer-brand lure

While what is known in the

trade as the "LT" (liquor and tobacco) business has dropped, status-appeal goods, like European designer brands, are selling like rice cakes.

The introduction about three years ago of discount stores in Japan selling cheap liquor and tobacco products and discounting in Taiwan have made a dramatic change, particularly to ground operators who run the airport shops.

This is offset by the increased trade in name-brand goods to this status-conscious region. Dunhill, Cartier, Ferragamo, Burberry, Hermès and Chanel products appeal to well-heeled Asian travelers.

Short-hop sales

Asian airlines such as Cathay Pacific also report a drop in liquor sales. But Cathay Pacific's sales of other items on short routes from Hong Kong to places such as Taiwan and South Korea are so brisk that flight crews can barely keep up. The most popular items are fragrances, cognac, cosmetics and general gift items.

"We plan to put more resources into in-flight sales," says Jane Cowe, public relations manager for products and events. "It is a good source of revenue as well as being a customer service. Passengers expect it."

Gems of the ocean

Duty-free shops offer great sales potential for clothing accessories and jewelry manufacturers. Jewelry sells particularly well at duty-free shops on cruise ships because passengers can wear their purchases at night.

In keeping with the changing times, duty-free shops are becoming more sophisticated, selling more fashionable products. Even in the smaller airports, they have become upscale stores rather than just liquor and tobacco shops.

These merchants benefit because airports are conducive to impulse shopping. According to a Harris poll of several years ago, 70 percent of purchasers bought duty-free goods out of boredom. Delayed flights are a blessing to airport retailers.

Garry Marchant

CYPRUS TO OPEN CLEARINGHOUSE

A new center for manufacturers, traders and retailers.

A major development is taking place in Cyprus that is likely to affect the tax-free shopping business in Italy, the Mediterranean countries and the Middle East. It is an entirely new concept that may lead to some major changes worldwide as far as the industry side of tax-free shopping is concerned.

Cyprus, a leading offshore center in Europe and the Eastern Mediterranean, is to have a new-style International Merchandising Center (IMC), which will open its doors for business next year.

Already, the first phase of a \$16 million purpose-built exhibition center, complete with the latest high-tech computerized merchandising system, is under construction on an industrial estate just outside Nicosia, the island's capital.

Free zone for duty free

Demetria Louca, managing director of IMC, says the objective is to provide an international shop window for manufacturers, traders and retailers from all over the world in a duty-free environment. Because IMC is located in a free zone, no duty will be paid on goods coming into or going off the island.

"We want the merchandise buyers to come and select their goods from those on display, instead of having to travel to manufacturers in countries that may be thousands of miles away," explains Mr. Louca. "Here, it will all be under one roof. Only quality products will be on show at all times, with ample stocks available for immediate delivery anywhere in the world." Already, two major companies manufacturing fragrances

are expected to sign up with IMC, which is being developed by a subsidiary of Commercial and Development Finance Co. in association with Cyprus Development Bank.

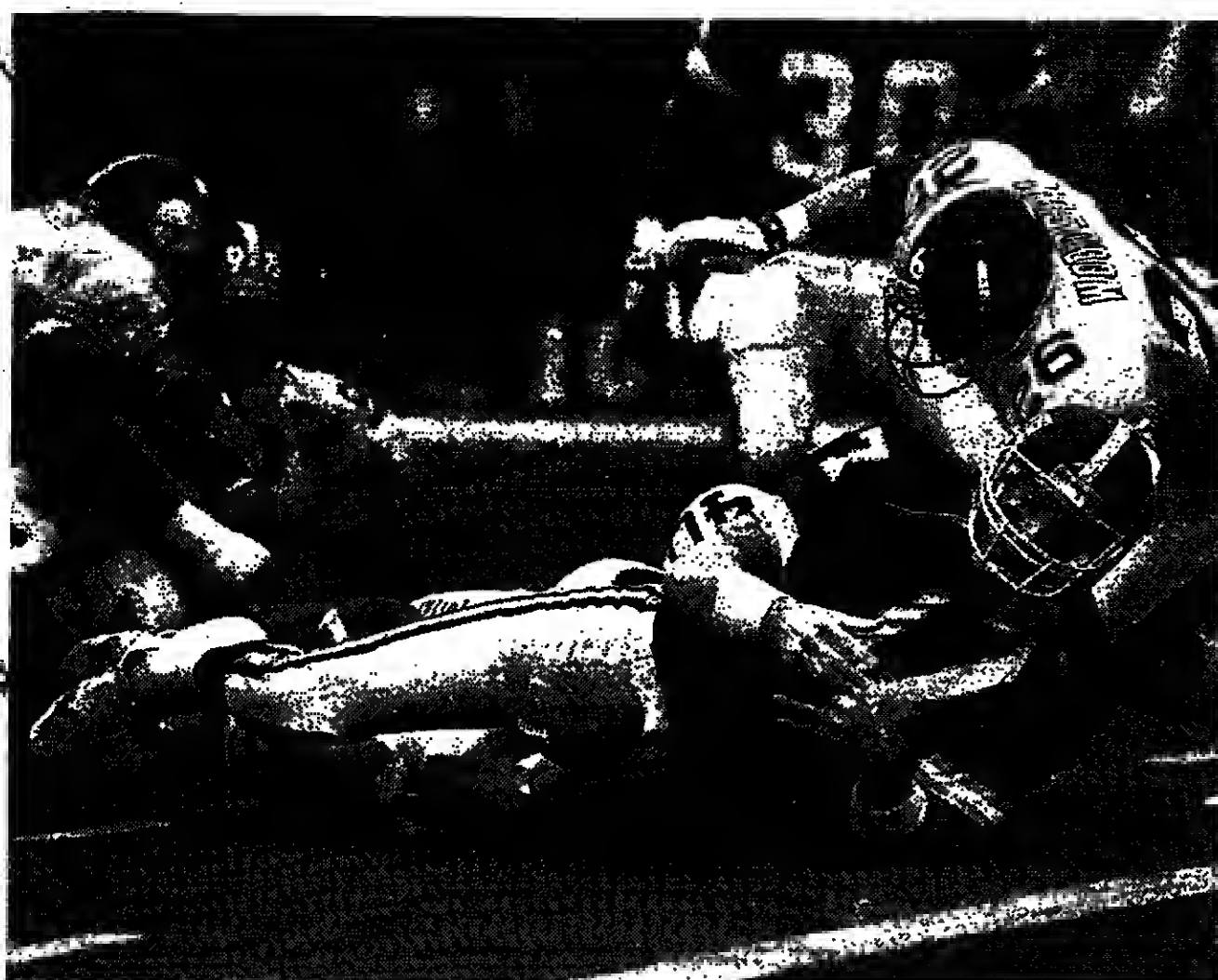
Mr. Louca says that the range of goods to be displayed will be all-embracing, including electronics, clothing and footwear, fashion and leather goods, jewelry and watches, cosmetics and beauty products, computers, food and beverages, all displayed in an area totaling 10,000 square meters.

New Gulf facilities

While duty-free managers and buyers may find it convenient to fly to Cyprus to stock their airport tax-free shops in the Middle East, the flying public is being offered many more improved shopping facilities. One of the newest developments has been the opening of the first new-style duty-free shop in Kuwait's revamped airport. It offers some 800 square meters of shopping space and boasts of stocking one of the widest ranges of cigarettes and cigars to be found anywhere in the Gulf. Oman, too, is offering new facilities at Seeb Airport, where Amouage, one of the most exclusive and expensive perfumes in the world, is stocked.

With the launching of Qatar Air, the newest airline in the Gulf, which is challenging Gulf Air and Emirates on several routes, new tax-free shopping facilities may be developed at Doha Airport. But the biggest prize of all for the tax-free industry will be the extensive facilities that are planned for the new Beirut Airport. M.F.

MONDAY SPORTS



Sacked by Pittsburgh's Rod Woodson, Giants' quarterback Dave Brown fumbled Sunday in a rainy game in New York.

Steelers Intercept Brown in 4th To Rumble Past the Giants, 10-6

The Associated Press
Rod Woodson's 25-yard interception return off a pass by Dave Brown early in the fourth quarter set up a game-winning 6-yard touchdown run by Byron Morris as the Steelers stopped the Giants, 10-6, on Sunday in East Rutherford, New Jersey.

Morris rushed for 146 yards on 29 carries while the Steelers' defense intercepted two

NFL FOOTBALL

Brown passes, recovered a questionable fumble by him at the Pittsburgh 1 and sacked him five times in what was one of the league's worst-performing games this season.

There were seven turnovers in a game played in constant drizzle, two punts of 22 yards or less, blown calls by the officials on plays that should not have resulted in turnovers, a dropped TD pass by Giants tight end Howard Cross, a wild snap and several costly penalties that killed drives.

The biggest mistake was made by Brown, who completed seven passes in the first three quarters as New York clung to a 6-3 lead. But on a third-and-8 from the Giants' 49, Brown inexplicably threw the ball right at Woodson, who then returned it to the New York 34.

Neil O'Donnell, who completed 16 of 29 for 138 yards, hit Yancey Thigpen for 7 yards on a third-and-7 to keep the drive alive. O'Donnell later underhanded a 16-yard lateral to John Williams on a third-and-8 from the Giants' 22. Morris scored on the next play.

Chiefs 38, Seahawks 23: After a listless first quarter in Kansas City, Joe Montana threw two TD passes and Marcus Allen scored a milestone touchdown as the Chiefs won their seventh straight against the Seahawks.

Late in the third period, with the Chiefs protecting a 13-7 lead, Allen went through a hole on the left side of the line, cut sharply right and ran 36 yards for his 117th career touchdown. He passed John Riggins for fourth on the career list with his longest scoring run since going 61 yards against Denver in 1985.

Montana hit 21-of-31 for 270 yards and two touchdowns. He found Kimble Anderson with a 9-yard scoring pass in the second quarter and tossed a 21-yarder to Lake Dawson in the fourth for the rookie's first NFL touchdown.

Redskins 41, Colts 27: In Indianapolis, Gus Frerotte, making his first NFL start, passed for 226 yards and two touchdowns to lead Washington over the Colts.

Henry Ellard, the NFC leader in reception yardage, caught six of Frerotte's passes for 108 yards and set up the first of two touchdowns runs by Ricky Ervin. Then pass interceptions off the Colts' Jim Harbaugh by Martin Bayless and Andre Collins — and one off backup Don Majkowski by Lamont Hollingsworth — led to three more scores as the Redskins snapped a five-game losing streak.

Browns 37, Bengals 13: In Cleveland, the Browns lost Vinny Testaverde but kept their self-respect, turning consecutive

third-quarter Cincinnati punts into touchdowns as they rallied to win.

The Browns, who at 6-1 are off to their best start since 1963, trailed 13-10 at the half. But Eric Metcalfe returned Lee Johnson's punt 73 yards for a touchdown less than two minutes after Travis Hill recovered a blocked punt in the end zone, completing a 17-point Cleveland third quarter that turned the game around.

Testaverde left the game complaining of headaches and blurred vision early in the third quarter after being hit hard on the Browns' opening possession of the half.

Lions 21, Bears 16: In Pontiac, Michigan, Mel Gray returned a kickoff 102 yards for a touchdown. Barry Sanders rushed for 167 yards and Detroit's defense forced four turnovers as the Lions ended a three-game losing streak.

Chicago had a chance to win in the final minute. But Erik Kramer's pass to Nate Lewis on a fourth-and-5 from the Detroit 20 was broken up at the 10 by Robert Massey with 41 seconds left.

Saints 37, Rams 34: In New Orleans, Tyrone Hughes returned kickoffs of 92 and 98 yards for touchdowns as he set two NFL records and tied another in New Orleans's wild victory over Los Angeles.

Hughes, who led the league in punt returns and was second in kickoff returns as a rookie last year, had combined punt and kickoff runbacks for 347 yards, breaking the old mark of 294 yards held by two others.

His kickoff returns of 304 yards broke the old mark of 294 yards. The two touchdowns tied a mark held by three others.

Colorado Rolls Past Kansas State, 35-21

The Associated Press
Colorado and Alabama are perfectly comfortable among the ranks of the unbeaten. For Utah and Duke, it's unfamiliar territory.

With a 35-21 victory over No. 19 Kansas State on Saturday, the second-ranked Buffaloes

COLLEGE FOOTBALL

are looking tough to beat a week before their showdown with undefeated Nebraska.

A team that looks beatable but keeps winning somehow, the eighth-ranked Crimson Tide overcame a 10-point halftime deficit to defeat Mississippi, 21-10.

Colorado's Kashaan Salaam ran for 202 yards and two scores, and Kordell Stewart had 127 yards and three touchdowns against the stubborn Wildcats (4-2, 1-2).

Stewart scored on a 60-yard run that gave the Buffaloes (7-0, 3-0) the go-ahead score with 10 minutes left and added another TD on a 7-yard sprint with 8 seconds left.

Chad May's passing and two second-half scoring runs by J.J. Smith, who had three touchdowns in all, helped Kansas State tie the game twice in the second half. But the Wildcats couldn't take the lead.

No. 3 Nebraska 42, Missouri 7: In Columbia, Missouri, Brock Berninger threw three touchdown passes in the second half, and Lawrence Phillips ran for 110 yards to help the Cornhuskers (8-0, 4-0) overcome a slow start.

No. 6 Texas A&M 7, Rice 0: In College Station, Texas, Corey Faling passed for one touchdown and saved another with a tackle on a fumble return as the Aggies (6-0, 4-0) fought off upstart Rice.

Best 'in the Universe,' McNair Sets NCAA Offense Record

The Associated Press
LORMAN, Mississippi — Steve McNair ran past Ty Detmer to become the NCAA career leader in total offense, and he did it by breaking his own Division I-AA single-game yardage record.

McNair had 649 total yards Saturday against Southern, Division I-AA's top-ranked defense, to end Detmer's three-year stay atop the NCAA career list.

After Alcorn State's 41-37 victory, McNair had 15,049 total yards. He has 4,025 yards and has accounted for 39 touchdowns (32 passing, 7 rushing) for the Braves (6-2, 5-1 SWAC) this season.

The senior quarterback broke Detmer's record of 14,665 yards on a 22-yard run on third-and-21 with 1:26 left in the first half of the Braves' Southwestern Athletic Conference game.

"If there's a better player in this country, I don't know where he is," said the Alcorn coach, Cardell Jones. "You might can go out of the universe and find one, but in this hemisphere, I'd say Steve is the greatest."

McNair led the way as Alcorn State came from behind twice in the last four minutes, scoring the winning touchdown on a 1-yard run with 10 seconds remaining.

He passed for 587 yards and four touchdowns, taking over second place on the Division I-AA career lists for passing yards (12,924) and touchdowns (107). He was 32-for-58 with one interception.

No. 7 Miami 38, West Virginia 6: In Morgantown, West Virginia, Frank Costa threw for 266 yards and two touchdowns as the Hurricanes (5-1, 2-0) avenged last year's loss to the Mountaineers (3-5, 1-3).

No. 8 Alabama 21, Mississippi 10: In Tuscaloosa, Alabama, Jay Barker became the winningest quarterback in Alabama history, scoring the go-ahead touchdown on a 2-yard run in the fourth quarter. Barker is 31-1 in four years as the starter for Alabama (8-0, 5-0).

Oregon 31, No. 9 Washington 20: In Eugene, Oregon, Kenny Wheaton returned an interception 97 yards for a touchdown with 49 seconds to play, clinching the upset by Oregon.

No. 10 Florida State 17,

No. 14 Arizona 34, UCLA 24: In Tucson, Arizona, Dan White passed for two touchdowns and Ontwaun Carter rushed for 164 yards and a score for the Wildcats (6-1, 4-1).

No. 25 Virginia 34, No. 15 North Carolina 10: In Charlottesville, Virginia, Mike Groh passed for 256 yards and two touchdowns for the Cavaliers (6-1, 4-1).

No. 16 Syracuse 49, Temple 42: In Philadelphia, Marvin Harrison scored three touchdowns, catching passes of 53 and 55 yards and running 20 yards on a reverse.

No. 17 Virginia Tech 45, Pittsburgh 7: In Blacksburg, Virginia, Antonio Freeman returned a punt 80 yards for one score, caught a touchdown pass for another and set up two more TDs with long runs for Virginia Tech (7-1, 4-1).

No. 20 Duke 51, Wake Forest 26: In Winston-Salem, North Carolina, Duke turned three fumbles into 21 points in the first six minutes.

No. 21 Brigham Young 34, Texas-El Paso 28: In El Paso, Texas, John Walsh threw for 330 yards and three touchdowns and Jamal Willis ran for 136 yards and a TD in the Cougars' rolled up 536 yards for BYU (7-1, 5-1).

No. 22 Boston College 7, Rutgers 7: In Boston, the Eagles' David Green fumbled at the Rutgers 9 with 22 seconds left, forcing Boston College to settle for a tie.

No. 23 Washington State 28, Arizona State 21: In Tempe, Arizona, Chad Davis threw for 355 yards and three touchdowns for the Cougars (5-2, 3-1).

No. 24 Ohio State 48, Purdue 14: In Columbus, Ohio, Bob Hoving finished with five TDs and 304 yards for the Buckeyes (6-2, 3-1).

CROSSWORD

ACROSS
1 My Fair Lady miss
6 Air
9 Drop explosives on

13 Sel, in song
14 King Ippiter
15 Kind of eclipse
16 Beethoven classic
18 Poker opener

20 Classic auto
21 Accountants' activities
22 Be under the weather
23 Electrical units
24 Horizontally
25 Leaves the ground
26 Hint of scandal
27 "Gee whiz!"
28 Year (for)
29 Rarely
30 Jury member
31 Nobel Prize
32 Adored
33 Mr. Muslim
34 Evaluate
35 Adherents of Allah
36 Swank outfit
37 Gasoline
38 Listender
39 Native of old Peru
40 My sweetheart, in an old song
41 Core belief
42 Unknown John
43 Street urchin
44 Winged god
45 Neighbor of Syr.
46 Portents

DOWN
1 Austin heroine
2 City on the Rhine
3 "Rhythm"
4 Western novelist Grey
5 The whole shebang
6 Breakfast roll

7 Bounce back
8 Tennis call
9 German political groups
10 TV studio light
11 Lusterless finish
12 Copper-zinc alloy
13 Jeweler's eyeglass
14 Eye part
15 Chinese liquor
16 Spumania city
17 Blind path?
18 Upon
19 Chapin trademark
20 Houston school
21 Lollapalooza
22 Batman's partner
23 Swank affairs
24 Famous cookie mix
25 Cabaret ("Murder, She Wrote" show)
26 Works the garden
27 Pass receivers
28 Tennis players
29 Otherwise
30 French legislature
31 St. Louis landmark
32 Grove of trees, in the Southwest
33 Yellow-orange
34 Octation taker
35 Injuries
36 Aquatic animal
37 Son in Genesis
38 Mideastern V.I.P.

39 Alaskan city
40 Originate, as a phrase
41 Miller and Seihorn
42 Eugene's Arm
43 Self

Solution to Puzzle of Oct. 21
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LANGUAGE

A Seat in 'Non' and Coffee 'With'

By William Safire

WASHINGTON — I asked for a seat in *non* so I could enjoy my coffee *with*.

A generation ago, that sentence would have been gibberish. Today it readily communicates meaning: *non* is instantly recognized as that ever-expanding section of the world given over to the anti-tobacco lobby. The hostess, who never seems to obey her own sign ("Please Wait for Hostess to Be Seated"), asks, "Smoking or *non*?"

With is "with cream" or half-and-half, or milk, or skim milk, or oon-dairy creamer, or white paint. *With* is a preposition, its object (cream) understood, and in this function has had a long history: in mid-19th-century England, liquor was sometimes served with sugar, and Charles Dickens had a character in an 1835 story say, "Two glasses of rum-and-water 'warm with.' But what of the new use of *with* as an adverb, now sweeping the United States?

"I had begun to think it was my imagination," writes Dottie Hall of Scottsdale, Arizona. "But last week it happened again: I thought you'd want to read the material on the plane so I'll fix it to you now and you can bring it with." Everywhere I go, sentences seem to be ending in midair: "I'll fix lasagna and we'll have a salad to go with." Or "Do you want me to go with?" Did I miss something? Did a recent blockbuster movie popularize this expression?

"If you want a model, I would look to German," observes John Algeo, the neologistic observer for American Speech. "Ich hole mit — 'I'm with you,' or Ich mache mit — 'I'll join in.'"

The omission of an object after *with* — which effectively turns a preposition into an adverb — is today's hot example of a language's tendency to extend an existing pattern to new elements and words, what the

great Danish grammarian Otto Jespersen called "drift."

I confess to having drifted a bridge too far on *with* in a recent political polemic. "A chastened president came before a press corps," I wrote, "to record his acquiescence with political necessity."

"You're not with it when you go prepositioning around with where it doesn't belong," writes Louis Jay Herman, designated hit man of the Gotcha! Gang. "You recently wrote *redolent with*. Now you write *acquiesce with*."

Most usagists accept only *redolent of* and *acquiesce in*. Not *with*. *Redolent* means "strongly suggestive of," as in a scent, and was first used figuratively in 1828 with *with*. "Their craft," wrote the theologian Edward Irving, "all redolent with Popish superstition." Rooted in the Latin for "to emit a smell," *redolent* is one step short of the verb *reeks*, which can take a *with*.

Therefore, I would defend the use of *redolent with*, but would acquiesce in Herman's denunciation of *acquiesce with*. *Acquiesce to* belongs there. *Acquiesce to* Maybe it's being used more and more, but let's stick to *acquiesce in*, a usage judgment you can take with.

Ur recently surfaced in the pages of The New York Times Magazine in Ron Rosenbaum's piece about the spy Kim Philby: "after Philby has been exposed as a long-term Soviet mole, indeed the *ur*-mole, the legendary Third Man, the most devastatingly effective known double agent in history."

Got a call from Richard Helms, the legendary director of central intelligence in the '60s. "What's an *ur*?" this longtime Lexicographic Irregular wanted to know. Fearful that we might be overheard, I said I'd get back to him. Couple of

weeks later, a clipping appeared in my Farragut Square dead drop, a mode of secure communication I use instead of E-mail. Helms again: "I'm not trying to worry the *ur* thing, but here it is again in your own magazine."

The article by Michael Kelly referred to "the signal event in the development of Clinton's character — the *ur*-compromise from which all later compromises would flow."

Ur is an ancient Sumerian city on the Euphrates in what was then Mesopotamia and is now Iraq; the Sumerians, in the fourth millennium B.C., developed the cuneiform system of writing, which may have preceded Egyptian hieroglyphics. This information about the origin of language has nothing to do with the prefix *ur*, but is what intelligence agencies call noise.

The prefix that has so entranced New York Times writers comes from the Old High German and means "original, primitive, prototypical." In German, *Ursprache* means "primitive language." In English, it has been in use only for a century: Joseph Jacobs wrote in 1889 about William Caxton's translation of Aesop's Fables, in favor of "any light he can throw on the *Ur*-origin of the Fables."

The term most often appears in literary discussions of the *ur*-Hamlet, the undiscovered version of that play (from whose bourn no deconstructor returns). The poet W. H. Auden wrote in 1947, "For Long-Ago has been Ever-after since *Ur*-Papa gave the Primal Yawn that expressed all things."

Sometimes it is capitalized, but that conflicts with the name of the Sumerian city, so drop the capital. The prefix *ur* is shorter, and certainly trendier, than "prototypical," but it's not the word to use if you're striving for aboriginality.

New York Times Service

George Lucas's Different World

By Bernard Weinraub

NEW YORK — Years ago George Lucas fled Hollywood, a town and a state of mind that appalled him. He poured his fortune into creating Skywalker Ranch, a secluded Victorian-style work paradise surrounded by groves of eucalyptus and redwood in Marin County, just north of San Francisco.

"I opted for quality of life," said the 50-year-old filmmaker, a shy, almost reclusive figure who customarily wears jeans, sneakers and work shirts and whose beard is rapidly turning gray. "Most of my friends are college professors. It's a different world." He laughed. "I prefer this to Malibu."

Lucas, creator of the lavishly successful "Star Wars" sagas and an architect of the three Indiana Jones films, is not only one of the world's most successful filmmakers. He's also one of the more unpredictable.

His newest film, "Radioland Murders," is an oddball low-budget comedy set in a radio station in 1939. The film, which Lucas produced but did not direct, opened Friday in the United States.

Unlike his old friends Steven Spielberg and Francis Coppola, Lucas is far less compelled to direct than to write, produce, edit and, above all, forge technological breakthroughs that serve the editing and production process.

His new film, for which he also wrote the story, is an homage to radio, the dramatic medium that seized his imagination as a child. His nights as a youngster were consumed by the radio: "The Lone Ranger," "The Whistler," "The Shadow." "You can trace radio back to the old storytellers around the fire," he said. "It's been lost over the years."

Directed by the British comedian Mel Smith, the movie has an ensemble cast that includes Brian Benben, Mary Stuart Masterson, Ned Beatty, Corbin Bernsen, Michael Lerner, Jeffrey Tambor and Christopher Lloyd.

There's a madcap plot, interspersed with musical numbers, a half-dozen murders, a backstage romance and plenty of mayhem. Lucas acknowledged the improbability of a Hollywood studio producing such a quirky

film, but his name and track record as well as his guarantee that the movie would cost only \$10 million, persuaded Universal.

Now that "Radioland Murders" is completed, Lucas is focusing on three "Star Wars" films that he will write and produce simultaneously, as if one film were being made. (They are intended to predate the current "Star Wars.")

For the last five years he has also been wanting to make a film about black aviators in World War II. He already has the story, and a title, "Red Tails." He just doesn't have a script. "It's a big story; it takes place over 10 years with hundreds of people, and the question is how do you make it small and personal and deal with it in a thematic way," he said.

He also remains involved in "The Young Indiana Jones Chronicles," a pet television project that was critically acclaimed but a ratings disappointment.

Although his career has had some major humps — notably the famous 1986 flop "Howard the Duck" as well as "Willow" and "The Ewok Adventure" — Lucas remains, with Spielberg, a box-office king. But despite his successes, or perhaps because of them, Lucas fled Hollywood in the early 1980s, and hasn't looked back.

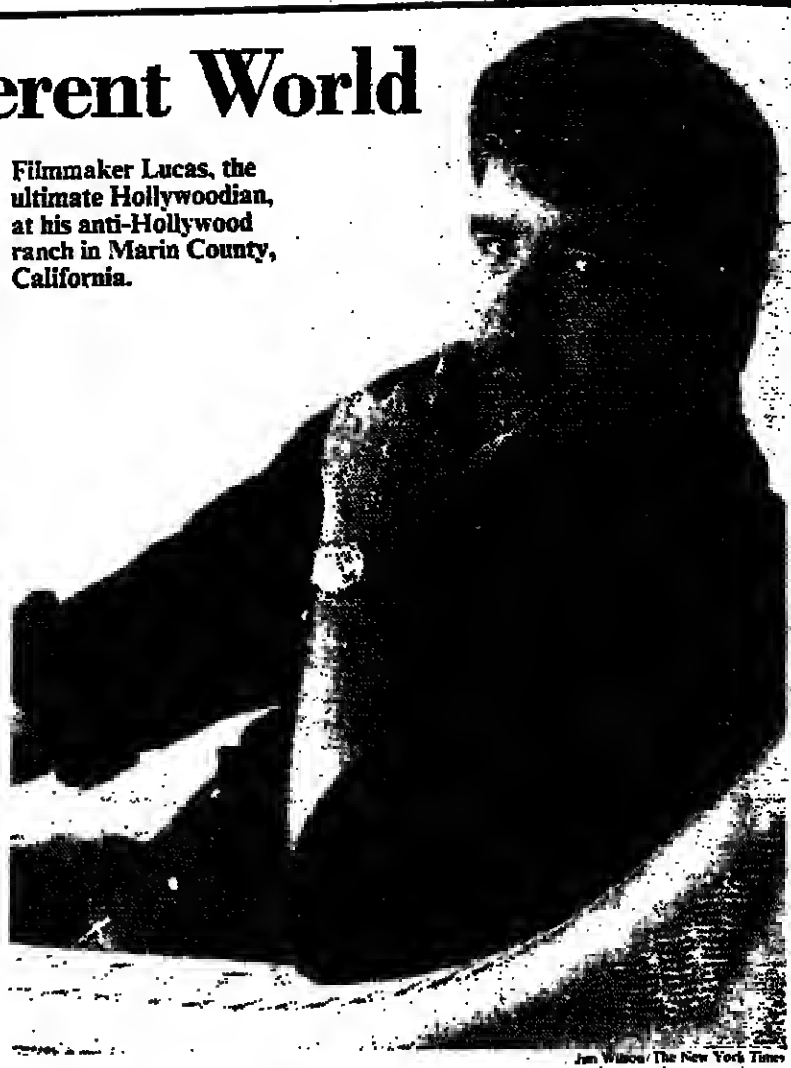
In his quiet haven he created an enclosed world of technically advanced postproduction facilities, including computer graphics and special effects that have been used by filmmakers as diverse as Spielberg and Robert Redford.

Lucas's company has overseen the special effects in many recent films. He was in charge of post-production on the film "Jurassic Park," whose creator, Spielberg, was in Poland at the time making "Schindler's List."

Lucas's company, Industrial Light and Magic, in nearby San Rafael, also helped shape the special effects for such movies as "Forrest Gump," "The Mask," "Terminator 2" and "The Abyss."

Lucas made it plain that the world of Hollywood today leaves him distressed. "Actually, I'm amused or dis-

Filmmaker Lucas, the ultimate Hollywoodian, at his anti-Hollywood ranch in Marin County, California.



Jim Wilson/The New York Times

trressed, depending on my mood," he said.

"When I began, you'd go to a studio and there'd be three or four people and they'd say, 'O.K., do the movie,' or, 'Don't do the movie,'" Lucas recalled. "That was the '70s. But once corporations and Wall Street took over, their way of operating was to create a huge middle-management structure. These are people more interested in stock options than in making good movies, people earning large amounts of money and pretending that they were experts in making movies — and they weren't."

"And they began to look on the people who made movies as sort of assembly line workers. They fostered the idea that the talent doesn't know anything, that the talent are idiots, or

idiots savants. I mean it's crazy. And you end up with bland and uninteresting and bad movies."

The only movies that succeed and endure on a large scale are family films, he said. Lucas, who is divorced, has three children, 13 and under, who live with him. (His home is several miles from the ranch.)

"I mean, the studio's idea of a children's film is 'Free Willy,' and that's not it," he said. "The films that endure, he said, are those that transcend age: 'E.T.,' 'Star Wars,' 'The Lion King' and 'Gone With the Wind.'"

"That's a great children's film," he said. "It deals with basic values that people cope with. It's not some cynical, relentless action fest. It's not hip. It's not flash. Just a great film."

WEATHER

Europe	Today	High	Low	Tomorrow	High	Low
Algeria	20/28	18/21	10/15	21/28	18/21	10/15
Amsterdam	12/22	14/21	12/21	14/21	12/21	10/15
Ankara	22/31	14/21	10/15	22/31	14/21	10/15
Athens	22/31	14/21	10/15	22/31	14/21	10/15
Berlin	18/24	14/21	10/15	18/24	14/21	10/15
Brussels	18/24	14/21	10/15	18/24	14/21	10/15
Cairo	22/31	14/21	10/15	22/31	14/21	10/15
Copenhagen	18/24	14/21	10/15	18/24	14/21	10/15
Dublin	18/24	14/21	10/15	18/24	14/21	10/15
Edinburgh	18/24	14/21	10/15	18/24	14/21	10/15
Helsinki	18/24	14/21	10/15	18/24	14/21	10/15
London	18/24	14/21	10/15	18/24	14/21	10/15
Madrid	18/24	14/21	10/15	18/24	14/21	10/15
Moscow	18/24	14/21	10/15	18/24	14/21	10/15
Munich	18/24	14/21	10/15	18/24	14/21	10/15
Nice	18/24	14/21	10/15	18/24	14/21	10/15
Paris	18/24	14/21	10/15	18/24	14/21	10/15
Rome	18/24	14/21	10/15	18/24	14/21	10/15
Stockholm	18/24	14/21	10/15	18/24	14/21	10/15
Toronto	18/24	14/21	10/15	18/24	14/21	10/15
Zurich	18/24	14/21	10/15	18/24	14/21	10/15

Forecast for Tuesday through Thursday, as provided by Accu-Weather.



North America
Chill winds and passing showers will begin the period in the Great Lakes states, in the Great Lakes states, in the Great Lakes states. A few showers will dampen the Atlantic seaboard. These regions will be mostly settled at midweek. Portland, Seattle and Vancouver will have some rain. California will be dry.

Middle East	Today	High	Low	Tomorrow	High	Low
Bahia	28/34	23/23	10/15	28/34	23/23	10/15
Buenos Aires	28/34	23/23	10/15	28/34	23/23	10/15
Cairo	28/34	23/23	10/15	28/34	23/23	10/15
Damascus	28/34	23/23	10/15	28/34	23/23	10/15
Jakarta	28/34	23/23	10/15	28/34	23/23	10/15
London	28/34	23/23	10/15	28/34	23/23	10/15
Manila	28/34	23/23	10/15	28/34	23/23	10/15
Moscow	28/34	23/23	10/15	28/34	23/23	10/15
Paris	28/34	23/23	10/15	28/34	23/23	10/15
Rome	28/34	23/23	10/15	28/34	23/23	10/15
Seoul	28/34	23/23	10/15	28/34	23/23	10/15
Shanghai	28/34	23/23	10/15	28/34	23/23	10/15
Singapore	28/34	23/23	10/15	28/34	23/23	10/15
Taipei	28/34	23/23	10/15	28/34	23/23	10/15
Tokyo	28/34	23/23	10/15	28/34	23/23	10/15
Yokohama	28/34	23/23	10/15	28/34	23/23	10/15

Legend: sun, partly cloudy, cloudy, showers, thunderstorms, rain, of snow flurries, snow, fog, W-Weather. All maps, forecasts and data provided by Accu-Weather, Inc. © 1994

Asia	Today	High	Low	Tomorrow	High	Low
Bangkok	31/38	21/20	10/15	31/38	21/20	10/15
Beijing	18/24	14/21	10/15	18/24	14/21	10/15
Hong Kong	22/31	14/21	10/15	22/31	14/21	10/15
Manila	22/31	14/21	10/15	22/31	14/21	10/15
New Delhi	22/31	14/21	10/15	22/31	14/21	10/15
Seoul	22/31	14/21	10/15	22/31	14/21	10/15
Singapore	22/31	14/21	10/15	22/31	14/21	10/15
Taipei	22/31	14/21	10/15	22/31	14/21	10/15
Tokyo	22/31	14/21	10/15	22/31	14/21	10/15
Yokohama	22/31	14/21	10/15	22/31	14/21	10/15

'Poetry in Motion': Ode to New York Subway Commuters

By Mindy Alofi

NEW YORK — Poets need New York: It's a first-rate graduate school for moral indignation. Federico Garcia Lorca provides a classic example.

In 1929, Garcia Lorca sailed here from his native Spain, where, at 31, he was already acclaimed as a master. His declared purpose in traveling was to study English at Columbia; his deeper purpose was to get away from home, which he was finding too lovely for words.

(New York is "a dreadful place, and that's why I'm going," he wrote in anticipation of the city he knew about chiefly through novels and films.)

New York, then entering the Depression, proved to be as wonderfully dreadful as Garcia Lorca had hoped. Once he settled into his dorm room, he left it.

For several months, he honed up on Manhattan from Harlem to the Battery. As Ian Gibson's biography relates the story of his trip, he seems to have had a pretty good time. Maybe too good a time. For Garcia Lorca's poems about the city are ferocious:

bloody, bitter, apocalyptically judgmental. Some 65 years later, they could have been written yesterday. His "Ode to Walt Whitman," in Ben Belitt's translation, reads:

Ah, filthy New York,
New York of cables and death.
What angel do you carry, concealed in your cheek?

Genius: What can you do with it? Well, the Metropolitan Transit Authority is sending it to Coney Island on a bus? In the last two years, the MTA's public art program "Poetry in Motion" has stocked the subway and buses with poems by some of the most accomplished and intractably indirect stylists in print, including Garcia Lorca, Dante and Yeats.

Last fall, the organizers took one of Garcia Lorca's early love poems, "Variations," copied it onto posters (in both the original Spanish and the English translation), and had the posters placed in all the MTA's 5,900 trains and 3,700 buses. At a stroke, the poet's most intimate voice was bestowed on a captive population of millions. Poetry on public transit is not a new idea. Cities in Europe have been doing it since the 1980s;

in fact, "Poetry in Motion" was sparked by London's "Poems on the Underground."

Street Fare Journal, based in San Francisco, began to put poems on buses there in 1984. Nevertheless, New York's program has captured the attention of both the public and the press. The poems have been superior, and some could even be called highbrow. The posters have been eye-catching and allusive. (The "Poetry in Motion" logo, designed by John Wyatt, marries references to ancient mosaic techniques with references to the ceramic tile work inspired by them that one finds in the subway.)

Indeed, "Poetry in Motion" has merited the dubious honor of inclusion in "Ripley's Believe It or Not!" where its mention was nestled among accounts of a woman who walked across the Australian desert and of a man who made sculptures out of matchboxes, then set them aflame.

The incongruity of fine poetry in the New York subway is fundamental to the program's existence. "Poetry in Motion" is part of a larger campaign that the MTA has been waging since the mid-1980s to improve the subway's dismal image.

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